



White paper

How smart technology can revolutionise and streamline your procurement



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Background

Technology is revolutionising almost every aspect of how we live, creating opportunities and complexities in equal measure.

In procurement, modern tech can be used to streamline and economise services. However, to date the problem has been a lack of overarching systems which provide a modular and holistic platform from which organisations can operate.

With the legal introduction of Integrated Care Systems (ICS) models in July 2022, Integrated Care Boards (ICBs) themselves now have the ability to better manage budgets and work with providers across various trusts, streamlining operations and governance and driving efficiencies.

We hope this white paper will offer some advice and practical demonstrations of how sourcing, procurement and inventory software can be delivered to save NHS Trusts considerable amounts of time and money – allowing financial resources to be dedicated elsewhere.



1 The legislative landscape



“Technology is needed to make sure the aims of the Procurement Act 2023 come to fruition.”

In October this year, the Procurement Act 2023 will come into force – a reset of the previous EU-based laws on public procurement of goods and services.

One stated aim is to “remove bureaucratic barriers” and “level the playing field for smaller businesses” so they can compete for more contracts, while encouraging “prompt payment” and promising “tougher action of underperforming suppliers”.

This is all good news and likely to create a vital environment of competition and efficiency. However, technology is needed to make sure these stated aims come to fruition.

At the same time, the NHS in England has released its strategic framework for NHS Commercial, in a bid to help suppliers better interact with the collective buying power of the NHS.

The framework, incidentally, is the health department’s contribution to the Government’s overarching Commercial Function Strategy for 2021 to 2025, as per their commitment to National Procurement Policy Statement, issued in June 2021, which relates to transparency and accountability for delivery performance.

1 And the political ...



Of course the state of the health service is a dominant political narrative and one which will doubtless be prominent in party campaigns as we head towards the next General Election, most likely later this year.

Campaign documents from the Conservatives, Labour, and the Liberal Democrats talk about the need to improve services, to invest in staff and even, in the case of Labour (most likely the party of the next Government) a plan for the procurement of new technologies.

However, no mention is made throughout existing campaign literature of the concept of **smarter procurement**.

We believe the efficient procurement provides a relatively straightforward means of achieving cost savings – surely a top-tier objective for the Department of Health of any new Government.

Research from the National Audit Office demonstrated recently some of the manifestations of inefficiencies in health service procurement – for example, around £3.4bn is spent outside NHS supply chain channels with some products costing trusts from 90% up to 120% more through such routes.

With the ICS model now operational, we believe that the time is right for health trusts across England and Wales to follow the lead of our growing list of successful clients in adopting systems which help with smart procurement.

Alongside a description of how smart procurement systems are compiled and itemised, we will demonstrate the potential effectiveness of these systems throughout this document.



Implementing enterprise resource planning (ERP)

In England alone NHS Commercial spends around £35 billion per year, across more than 80,000 suppliers.

We know that consumer-facing tech is usually streaks ahead of the software and systems deployed by health trusts to manage their procurement processes. And the norm is for disparate trusts in the same ICS to use varying finance and procurement systems – this makes it impossible for systems to talk to each other so that a holistic approach can be taken.

The best way to achieve the desired result is smart management of the procurement processing across the ecosystem – managing the supply chain with healthcare enterprise resource planning (ERP).

However, it is important to emphasise that you will likely need a dedicated P2P or S2P system (more on these later) to handle the complexity of modern procurement processes.

We believe that eliminating wastage is a quick-win opportunity to help keep costs down – not only through operations but by using clearer data to achieve price negotiation and better bulk purchasing.



£35 billion

The amount NHS Commercial spends in England alone each year across more than 80,000 suppliers.

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What is ERP?

ERP is typically a suite of software that ties together and enables the smooth flow of data across multiple systems, from accounting to procurement to project management to supply chain operations.

The benefits are the elimination of data duplication and the removal of data silos, thus helping improve accessibility and streamlining operations, with a decrease in overall costs.

In healthcare, most organisations will be using a patchwork of specialised subsystems which often don't speak properly to each other. This increases complexity and drives up inefficiency.

A good ERP will unify all the many pieces of sourcing, procurement and payment processes together under one umbrella. Ideally, each element of the planning solution will be able to talk to each other, with the ability for data to be shared across systems throughout relevant departments – administration, staffing and finance.

So, your ERP should be integrated with your specific P2P or S2P software, to improve cost-cutting, automation, insights and vendor cooperation.

The health sector has an opportunity here to make its supply chains super-efficient. The sourcing, purchasing and payment of supplies across the operation – from medical supplies to food, drink and stationery – should be managed using thorough data analytics and the best in logistics.





3 ERP in practice

In implementation, we divide our analytics and management into three key areas:

- Sourcing
- Procurement
- Inventory management and invoicing

What we would suggest is clearly in demand - a proper management of this whole ecosystem, often across multiple sites in one or more NHS trusts, so that efficiency can be best delivered.

In practice, this is likely to be manifested by, for example:

- Better sourcing software for quicker supplier quotations
- Contract management programmes which reduce wastage
- Product catalogues shared across trusts
- Integrated procurement software which interface with finance programmes
- Inventory management with the ability to transfer stock between hospitals
- Electronic invoicing for sending orders and receiving invoices.

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One of our early deployments of our systems across an ICS framework is in north east England, with an organisation called the Humber and North Yorkshire Procurement Collaborative. This is responsible for some £550m of annual spend across the operations of Yorkshire and Scarborough, Hull and North Lincolnshire and Goole NHS Trusts.

Edd James, Director of Procurement at the collaborative, hopes to achieve over £15m of savings per annum within five years due to better efficiency and increased purchasing power.

Mr James believes that the figure of 266,000 invoices currently received each year by the trio of trusts can also be significantly reduced – massively saving accounting costs and improving efficiency.

“It’s always been frustrating to see our staff having the latest in tracking and delivery apps for their orders at home, yet nothing similar is available at their workplace,” he said.



“In addition, some of our suppliers are sending us ten thousand invoices per year, each of which has to be individually dealt with. Better systems will improve the ordering process, avoid duplications, provide better information and reduce ordering and invoicing requirements.

“It’s also urgent that we get our teams across the trusts working together as one. We’re introducing standardised governance as well as systems, so the procurement operations can coordinate their activity and work together. That will in turn improve our purchasing power and allow us to negotiate prices with our suppliers.

“I joined two years ago and we’re already expecting £4.5m of savings this year – that’s a figure we can drive up significantly and I’m forecasting that we will double this within the next two years, with further savings to come.”

Edd James, director of procurement at Humber and North Yorkshire Procurement Collaborative



Ian Slaughter (Elcom), left, with Edd James

“I expect we can create major savings through these systems. I joined two years ago and we’re already expecting £4.5m of savings this year – that’s a figure we can drive up significantly and I’m forecasting that we will double this within the next two years, with further savings to come.”

Prior to awarding Elcom the contract for this new system, Mr James spoke to counterparts across the UK – at Scottish Government, at North Central London NHS and South West London NHS – who have already worked with Elcom on similar, albeit less extensive, projects.

“We were looking to improve the digitisation journey in procurement, put a system in place across the three teams, and also interface into three e-finance systems,” he said.

“We know that Elcom has delivered that elsewhere, and our research suggested that they were the only ones who could provide the range of solutions we need while interfacing with different finance systems.

“Our conversations have given us the confidence that they would be able to do that work. We’re looking forward to seeing the benefits of the new systems.”



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Latest developments

Smart procurement for health services represents a paradigm shift in the way healthcare organisations acquire and manage resources. By embracing technological advancements, fostering strategic partnerships, and prioritising sustainability, the healthcare industry can unlock new possibilities for efficiency, cost-effectiveness, and improved patient care.

As we move into the future, staying abreast of emerging trends and addressing persistent challenges will be essential for realising the full potential of smart procurement in health services.

What we would suggest inventory and procurement leaders want is simplicity and accountability – the ability to clearly see which elements of their operations are performing well, and which need improvement.

Quality data, effectively communicated, is crucial to this ability. Systems should therefore be able to manage large amounts of data and convert it into graphics which can be drilled into to extract the necessary information.

And given that you're likely to be using a variety of systems, any overarching holistic solution should be able to interface with a variety of APIs while retaining its functionality.

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The importance of standards

Many of the problems causing inefficient procurement in the NHS arise, we would suggest, from the prevalence of a culture of big supplier contracts. In such situations the status quo tends to be a focus on price competition and compliance during the tender process, followed by a re-focus on supplier profitability once the contract is secured.

New technology offers an opportunity – and this is where we hope the new Procurement Act will help – for smaller suppliers to have more regular opportunities to win contracts, thereby keeping everyone on their toes and ensuring healthy competition is standard practice.

In order for this to happen effectively, there needs to be some system by which suppliers can be assessed for suitability and capability. That's why standards are so important.

For example, all of Elcom's services comply with GS1 standards, which play a crucial role in the procurement processes across various industries, including healthcare.

GS1 is a global, non-profit organisation that develops and maintains standards for the identification, capture, and sharing of information about products, services, assets, and locations. The standards aim to improve the efficiency, visibility, and accuracy of supply chain and procurement operations, in which context they provide a standardised approach to product identification, data capture, and information exchange.

These standards are applicable in various contexts which combine to improve efficiency in supply chains and procurement. These include:

- Global trade item numbers (GTIN), to enable standardised product identification with barcodes, radio frequency identification (RFID) tags and electronic data interchange (EDI) and thereby reducing procurement errors
- Global location numbers (GLN), to help identify and manage different entities involved in the procurement process including suppliers, buyers, and delivery locations, so that information exchange is accurate
- Global data synchronisation networks (GDSN), to allow businesses to exchange product information in real time so that data quality is improved
- Electronic data interchanges (EDI) which see business documents like purchase orders and invoices exchanged between partners in standard formats, thus enhancing efficiency and reducing errors
- Serial shipping container codes (SSCC) to help track containers or pallets ensuring visibility and traceability
- Global traceability standards (GTS) to help organisations trace and recall products in case of quality or safety issues.

The GS1 standards can have a major impact on efficiency, accuracy, and visibility of procurement processes. As mentioned earlier, the added bonus is the levelling of the playing field, enabling smaller suppliers to thrive and thus creating an environment of healthy competition, further improving efficiency and driving cost savings.



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Case studies



Case study 1

Client: NHS Wales

Project: Sourcing

Description: Helping generate savings and grow Wales' economy by targeting local suppliers

What they wanted

To streamline and simplify the complex framework of regulations that currently govern public procurement. Collaboration helps the public sector to engage across the nation and its regions, remove duplication and better publicise future opportunities to the Welsh supply-side. This results in a quarter of the £7.7m NHS Wales awards in RFQs going to Welsh suppliers.

Case study 1 continued ...

How we helped NHS Wales

Elcom Sourcing - MultiQuote, Contract & Tender - is a simplified, easy-to-use solution that helps manage complex procurement procedures, including Find a Tender (FTS). It offers a dynamic real time pricing marketplace with a demonstrable track record for delivering cash savings across all expenditure while enforcing legal and regulatory compliance.

How we helped Welsh suppliers

Suppliers sign up to MultiQuote for free and have a dedicated support team. Value-added applications help them strengthen their offering and better compete, while integrated services create opportunity alerts, e-Learning, business intelligence, tender consultancy and e-Funding.

Meanwhile, we're also onboarding more Welsh suppliers by engaging with customers to ensure supplier data is up-to-date, enabling buyers to nominate suppliers not registered with us, and by offering suppliers support on bidding for public contracts.



Testimonial

"The past year has been successful with more opportunities to grow investment in the foundational economy across Wales. NWSSP continues to support Welsh businesses and are further engaging and communicating with industries to ensure they are aware of any opportunities for goods and services in Wales."

Jack Coughlin,
procurement
business manager at
NHS Wales Share
Services Partnership

Case study 2

Client: Scottish Government

Project: Procurement

Dates: 2002-2024

Background

Elcom has been running the Scottish Government's PECOS P2P system since 2002, processing more than £6.5bn of Scottish public sector spending each year.

The first PECOS purchase order was placed by Jack McConnell, the then First Minister of Scotland, on the 25th of March 2002 at Portree Primary School on the Isle of Skye.

Now ...

That first purchase order (PO) was processed by a system now powering 118 public bodies across Scotland. It allows them to automate their P2P processes from PO through to invoice payment – NHS, Central Government, Local Government and higher and further education.

Project key facts

Amount of Scottish public sector spending processed each year	£6.5 billion
Number of purchase orders processed	32.3 million
Value of processed purchased orders	£73 billion
Amount of sheets of paper saved per year	55,000

Case study 2 continued ...

Today, its processed 32.3m purchase orders with a combined value of £73bn – reducing paperwork (estimated 55,000 sheets of paper a year!) and avoiding inefficiency.

Customers are also able to collaborate and share best practice on implementing the system. Suppliers have enjoyed e-invoicing, so processes are standardised across our organisation, which is a massive benefit for large and small suppliers.



Jack McConnell signing the Scottish Government's first PECOS order on March 25th, 2002

Testimonial

"PECOS also supports the power of procurement, so it's good for businesses and employees, good for society and it's open and connected.

"I was there on the day that photo was taken way back 20 years ago. I can't quite believe that I've been doing this for this long! But over the time we've seen PECOS grow, our customer base grow and it's been a really satisfying journey to be on."

Lynn Wisener, interim deputy director at Scottish Government



Who we are

Elcom's life started in the early 1990s as a pioneer in electronic catalogue technology, partnering with the Massachusetts Institute of Technology (MIT) to create our best-in-class PECOS technology – a unique, cloud-based data-driven e-procurement solution.

Since then, we have taken a series of determined steps to grow our offering. We now offer a spectrum of solutions for purchasers and vendors, continuously innovating to meet our clients' challenges and to make sure we are always one step ahead.

We are focused on supporting clients in the UK with our range of modules and our inventory and sourcing platforms.

Our mission is to make e-procurement smarter, more connected and transparent while helping our customers trade and save money. Based on values of passion, innovation and agility, empowerment, customer focus and fun, the vision is to work on transforming e-procurement all over the supply chain, making it accessible for all users and sectors.

We have UK offices in London, Glasgow, Birmingham and Liverpool, as well as worldwide offices in Boston, Belgrade, Johannesburg and Sydney and employ more than 100 people across our locations.

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Products and services

Our core products are around Source to Pay (S2P), Procure to Pay (P2P) and Inventory Management. In addition, we supply products which automate e-invoicing, accounts payable processes, e- and a supply chain finance.

For example, in our work with the ICS in Humber and North Yorkshire referenced earlier we have supplied:

- For sourcing – Elcom MultiQuote is an automated marketplace for requesting quotations from across multiple suppliers very quickly for requirements below the EU threshold for full tender. This solution generates on average 12.5% savings
- For contract management – Elcom Contract Manager enables contracts from any system to be imported and managed throughout the lifetime of the contract, providing expiry alerts, extensions, spend against contract and so on.
- For catalogue – Elcom Catalogue is where catalogues for products and services are created from contracts then shared across multiple systems from a single point of truth. Changes or updates are made centrally and, once approved, systems are automatically updated to ensure they are kept in synch.
- For procure to pay (P2P) – Elcom P2P provides a single procurement front end, making it easier for staff to work between sites as the experience will be the same everywhere when requisitioning items. The solution can integrate seamlessly across organisations and finance systems.
- For inventory management – Elcom Inventory provides complete visibility of stock wherever it may be, including the ability to transfer between hospitals and trusts at the touch of a button. Items can also be tracked to patient through Elcom’s Point of Care Scanning, meeting Scan4Safety requirements for item/patient recalls. In addition Elcom will be deploying final mile delivery tracking to provide visibility of stock from R&D to destination.
- For electronic invoicing – Elcom DocX facilitates the sending of electronic orders and, more importantly, receiving electronic invoices.



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Who we work with



We provide services from suppliers, altering them to opportunities and tenders, as well as buyers across sectors including:

- local government
- community care
- education
- corporate
- central government
- health

Our systems include more than 230,000 suppliers, working with over 150,000 buyers and to date have processed well over 50 million purchase orders.

Testimonial

“At Shelter, we continue to focus on fiscal responsibility and getting the most out of the funds we have available.

“Through Elcom's MultiQuote Solution, we now have the ability to cast our net more widely to increase our potential supplier base, generate savings and take a more systematic approach to the management of our tail spend.

“The solution not only allows us to better allocate resources where they matter most – supporting those in need but also address challenges relating to sustainability. MultiQuote offers the opportunity to reduce our carbon footprint by sourcing suppliers locally.

“Elcom's expertise and ongoing support was apparent during the tender process and a key differentiator. Their collaborative customer first approach is now helping Shelter deliver value for money which in turn supports our ability to meet our strategic goals.”

Ian Ashford (Head Of Procurement) at Shelter



7 How to deliver

So, how best to go about implementing better procurement systems in your organisation? We would suggest some key steps.

First, and most important, is high level of buy-in from top management across relevant departments.

Implementation requires cost and time commitment, based on an understanding that up-front investment will result in significant savings relatively quickly.

The other reason why leadership is so important, apart from the initial impetus it provides, is to ensure that those deploying and using the new technology are able to use it most effectively.

Proper communications will ensure that people become accustomed to change more quickly, so that performance and productivity remain high.

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It's also important to involve IT and middle management in the implementation process so that the necessary flexibility can be achieved.

Middle management will normally have a better view of how new systems will be set up and their input into understanding scope, scale and potential teething problems will be invaluable.

The other key factor to consider is data integrity. ERP works most effectively when data is clean and properly organised, regularly checked and audited.

We'd suggest that this activity should be clearly allocated to relevant individuals within your organisation, comprehensively managed and planned at regular intervals.

This way you'll make sure you don't have data which is duplicated or out-of-date, ensuring efficiency is maximised and costs minimised.

Testimonial

"The Althea Managed Service coupled with ELCOM's Inventory Management solution have freed up thousands of staff hours, reduced stock holding and delivered millions of pounds of cash releasing savings."

Judy Gilmore (Deputy Head of Operations at University Hospitals of Leicester NHS Trust)

Mini case study

Client: Croydon Equipment Services

Croydon Equipment Services procure and store assets and consumables such as beds and wheelchairs for 11 NHS Community Trusts.

These items are delivered to the end user whilst they are required and then collected, cleaned, maintained and returned to storage. All activity is controlled and maintained by Elcom's EVOLVE Inventory solution.

A contract value of £100k per annum has delivered savings of £3.2m per year in a spend of more than £30m, with 911 suppliers delivering almost 20,000 products.

Other benefits have been better use of staff time (especially clinicians in the field) and improved process efficiencies such as waste reduction and reduced stock holdings.

Project key facts

Contract value per year

£100k

Amount saved per year

£3.2 million



Contact us to see how we can help you ...



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