NIGP FORUM
Connecting Procurement Communities
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NIGP Commodity/Services Code Subscriber/User Discussion

Reid Kananen, Deborah Hail & Matt Walker

Periscope Holdings, Inc.

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Who We Are

NIGP

Periscope

- National organization supporting public sector purchasing since 1944
  - 16,000 individual members
  - 2,600 member agencies
- Consultancy focused on public procurement since 1995
- Commodity Code (owned & copyrighted) for classification

- Company dedicated to solutions to improve public sector procurement

BuySpeed
NIGP Code — NIGP
Consultative Services

- **NIGP & Periscope Partnership**
  - Periscope manages the NIGP Commodity/Services Code under the Institute's oversight
  - Long-term strategic relationship that also includes membership on the NIGP Business Council and management of the NIGP Consulting Program
  - Combined focus on the public procurement market with vast experience

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What is the Code?

- NIGP Commodity Codes are a listing of codes and sub-codes that categorize everything that an agency buys from computer hardware to construction services.

- The system allows an agency to group vendors and procurement by these categories, which allows for ease in solicitations and reporting.

- The NIGP Code is developed and maintained from user input.

- It is a purchasing code that is commodity driven, not vendor driven.

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NIGP Code Hierarchy

Code Structure	Sample Code	Description
Class	425	Furniture, office
Item	425-21	Desks and tables, wood
Group	425-21-85	Tables, wood, conference, contemporary, paneled-leg style, laminated plastic top
Detail	425-21-85-5553	72 in. x 36 in., w/o center drawer, mahogany finish

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Facts about the Code

- **385-06** Bread
- **385-12** Cakes, Cookies, Dough, Pastries, etc.
- **385-14** Coffee
- **385-17** Dairy Products, Frozen
- **385-18** Desserts (Except Cake and Pastry)
- **385-30** Eggs

- Structured in alphanumeric sequence
  - Commodity classes are numbered 005 through 898
- Services classes are numbered 905 through 998
- Class-item 98 and 99 are reserved for customer use
  - Use of any other Class-item will create problems!
- Other Standards
  - Abbreviations for common words (detail level packaging)
- Word Order

What can the Code be used for?

- Register and maintain bidder/vendor files
- Capture purchase history
- Provide an internal tracking number for inventory items
- Generate management reports/foundation for analysis
- Purge vendor lists
- Evaluate vendor performance
- Perform open-market bidding
- Identify MBE/WBE vendors
- Create cooperative purchasing opportunities
- Provide valuable assistance in electronic commerce purchasing activities

Benefits of using the Code…

- It's standardized
- It allows for more meaningful communication between departments/agencies
- It makes better organized cooperative purchasing efforts possible
- Proper use of the code can generate a savings in purchases not previously realized
- Provides a stock numbering system independent of UPCs
- Provides common search/reporting capabilities across inventory locations
- Allows for aggregation of all spend (p-card data)

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Does a Taxonomy Matter?

"Success with spend analysis requires a strategy for getting sufficiently detailed and comprehensive spend data, **the selection of a suitable classification schema** and a solution that enables classification rules changes to quickly be implemented in the database."

Gartner

Recommendation: Create or select a classification schema that suits your business needs

Gartner research note: Use These Spend Analysis Best Practices to Improve Processes, Find Savings and Reveal Trends, March 14, 2013

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NIGP Code Subscribers

- 1,000 subscribing entities to the NIGP Commodity/Services Code (each subscribing entity counted only once)
- Entities span States, Cities, Counties, School Districts, Universities, Agencies, Special Authorities
- Coverage across 47 states, DC, Virgin Islands & Canada
- Increasing focus on Statewide Licenses; 29 State Procurement departments subscribe
- Private sector Code subscribers (systems providers, major suppliers)

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NIGP.com "Refactor" & Code Clean-up

- Developed list of highest-priority system changes
  - Searchability & ease of use
  - Simplicity in ordering and submitting inquiries
  - Consistency with overall Periscope technology platform
  - Integration of website and maintenance tools
- Mobile support ("NIGP Code Anywhere")
- Response to subscriber input
  - Some areas difficult to navigate
  - Out-of-date terms
  - Some duplication and inconsistencies
- Large effort; will prioritize areas needing most work
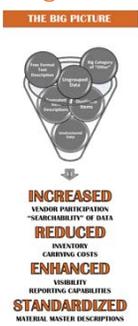- Challenge: historical data must be maintained

Code User Advisory Group

- Input on Code clean-up efforts
- Periodic meetings to discuss value-add initiatives
- Oversight of targeted efforts (sustainable procurement, specific industry groups, etc.)
- Currently assembling the team
  - Additional volunteers needed!
  - Very manageable time commitment

Foundation for Master Data Management

- Data integrity review
- Mapping of Item Master to the Code
- Code Usage Review
- Aggregation of data via crosswalks (e.g., PO data & P-card data)
- Team training

THE BIG PICTURE

INCREASED
VENDOR PARTICIPATION
"SEARCHABILITY" OF DATA

REDUCED
INVENTORY
CARRYING COSTS

ENHANCED
VISIBILITY
REPORTING CAPABILITIES

STANDARDIZED
MATERIAL MASTER DESCRIPTIONS

Cooperative Public-Private Projects

GRAINGER.

- Leverage UNSPSC-NIGP Crosswalk
- CPS able to pull back NIGP Code for each catalog item
- Potential benefit to all customers who "punch out" to Grainger catalog
- In discussions now with additional suppliers

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CHICAGO PUBLIC SCHOOLS | CPS

"Greening of the Code"

- Green Code Advisory Group
- Role of the Code
- Identify "green certified" products
- Can everything have a green counterpart?
- Initial Class Code selections

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"Environmentally Certified" Codes

Code	Description
203	COMPUTER ACCESSORIES AND SUPPLIES, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
205	COMPUTER HARDWARE AND PERIPHERALS FOR MICROCOMPUTERS, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
251	DATA PROCESSING CARDS AND PAPER, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
306	ENGINEERING AND ARCHITECTURAL EQUIPMENT, SURVEYING EQUIPMENT, DRAWING INSTRUMENTS, AND SUPPLIES, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
436	GERMICIDES, CLEANERS, AND RELATED SANITATION PRODUCTS FOR HEALTH CARE PERSONNEL, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
486	JANITORIAL SUPPLIES, GENERAL LINE, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
616	OFFICE SUPPLIES, GENERAL, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
631	PAINT, PROTECTIVE COATINGS, VARNISH, WALLPAPER, AND RELATED PRODUCTS, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
641	PAPER AND PLASTIC PRODUCTS, DISPOSABLE, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY
646	PAPER, FOR OFFICE AND PRINT SHOP USE, ENVIRONMENTALLY CERTIFIED BY AN AGENCY ACCEPTED CERTIFICATION ENTITY

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Current Challenges with Green Code

- Spend management – keeping the Codes in the same class
- Code management – can't run out of room
- Group and detail implications
- Data integrity / proper coding of transactions
- Future Coding

Green Code: Questions for You

- How/whether the "green codes" are being used?
- What other product/service Classes are we missing?
- Are Codes useful for tracking? For reporting?
- What reports could be useful in eProcurement system or for Periscope's Procurement Intelligence app?
- Any volunteers to serve on user committee?

Looking Ahead

- More aggressive efforts with subscriber base for value-add opportunities
- Broad consulting services offerings – integrating NIGP Code & NIGP Consulting
- Standardized subscription terms (multi-year)
- Work with public entities and suppliers/vendors to promote standardization
- Focus on data analytics – procurement intelligence, data aggregation, data integrity
- Strengthen integration within BuySpeed

Procurement Intelligence - Overview

- Code-enabled Business Intelligence
- Truly unique view: based on coded transactions
- Aggregate all spend (including P-card data, other P2P systems)
- Subscription-based / "Cloud" offering
- Public & private solutions

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History behind Procurement Intelligence

- 2013 Evolve Survey Highlights
  - Greater than 60% are interested in a subscription model
  - 50% do not have P-Card purchases included in "Total Spend"
  - Over 20 unique Procurement systems are used (ranging from "Home Grown" to ERP systems)
- Gartner Research, industry trends indicate rising demand in industry-specific Business Intelligence solutions
- Workloads continue to increase, however budget constraints limit hiring or retraining for Business Intelligence skillsets

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"Procurement Intelligence" (PI) Defined

A subscription based Business Intelligence solution to help organizations maximize procurement resources by re-organizing existing information into actionable insights

- Requires near zero customer IT involvement - only need data, integration is handled by Periscope

- Information is delivered back using a combination of traditional BI tools (KPI driven dashboards, drillable reports, visualizations, spreadsheets, analytical studies)

- Goal is to solve first two hurdles of BI lifecycle
  1. We don't have data to support decisions – "We're flying blind"
  2. We have data, but don't know how to make sense of it – "Analysis paralysis"

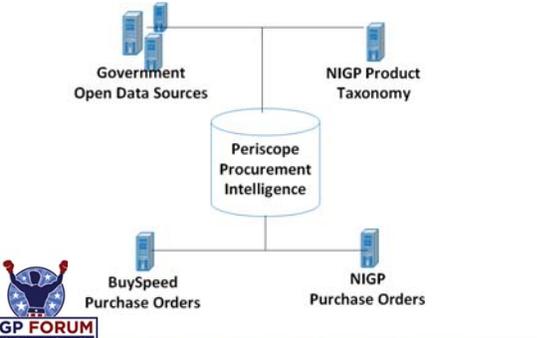- Add-ons include Data Profiling, Comparison Views, and Spend Analytics

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Information Management Overview

Industry Term	Procurement Intelligence Component	Value to Public Procurement
Big Data	Open Data sources	-Benchmarking -Transparency
Master Data Management	NIGP Product Taxonomy	-Reliable Classification of Spend -Enables Benchmarking
Data Warehousing, Business Intelligence	Periscope's Data Warehouse	-Cost effective alternative to homegrown system -Makes information "Business Friendly"
Data Science, Data Analysis, Predictive Analytics	Spend Analytics, Special Studies, Data Enrichment	-Executive level insight -Quantifiable ROI -Find the signal in the noise

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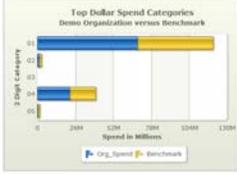
Data Sources for Procurement Intelligence

PI Demo – Dashboard to Data

- PI Dashboard Link

Benchmark Capabilities

- Benchmark your organization's data to other groups
- Helps to answer "How am I doing <u>relative to</u> similar entities?"
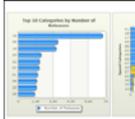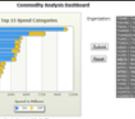- More Information *can* lead to better decisions

More On Data Profiling

- Defined as the analysis of potential data sources to quantify the structure, content, and relationships of the data
- What data is available? How useful can we expect it to be?
- Build a roadmap towards data enrichment

Spend Analytics

- A metrics framework that quantifies the alignment between operational activities and strategic goals
- Help focus your limited resources on <u>Strategic Sourcing</u>
- Can serve as a baseline for forecasting and planning

Beta-Roll Out of Procurement Intelligence

- Currently working with two "beta" customers/partners
- Two pronged approach – one BuySpeed customer, and one customer with several fragmented systems
- Customers will play a key role in setting product direction

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QUESTIONS?

Matt Walker
President, NIGP Code & Consulting Services
mwalker@nigp.com

Vendor Registration

- Associate each vendor with commodities/services they provide by linking them with the correct NIGP Code(s)
- Allows vendors to self-select bids of interest
- Track vendors
  - Know how much you've spent with each vendor
  - Know your options so you can get the
  - best price
- Produce more substantive reports
- Utilize competitive bidding
  - Develop competitive specifications
  - Know who to contact when you need to buy anything

Spend Analysis

- Associate every line-item with an NIGP Code
- Track expenditures
    - Know how much you've spent on every level of item in every department
    - Know how much you've spent on every supplier in every department
- Plan and execute your budget accordingly
- Produce more substantive reports
- Analyze contracts and total spend

Efficiency & Organization

- Communicate between departments
    - Standardize item identification
    - Example of alternative
        - Pedestrian signal
        - Signal – crosswalk
        - Crossing signal
    - Search/report across departments in the same language
    - Enables comparisons with other peers (comparative analytics)
- Track inventory
    - Stock identification system independent of UPC's
    - Seamless re-order process with procurement
    - Don't have to order what you already have

Client Example – City of Chicago

- Original supplier file 35,000
- Initiated re-registration process using NIGP 5-digit code
- Eliminated duplicates and "out of business" suppliers
- Accurate listing for bidding with commodity references
- Reduced supplier file to 11,000

Client Example – TXDOT

- 26 statewide warehouse, each with individual numbering schemes for items
- Initiated project to code all item to 11-digit code
- Eliminated duplicates and unused items
- Reduced total inventory carry by 10% overall

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Periscope Coding Services

- Review/Analyze Your Data
  - Spelling, grammar
  - Interpretation, identification
  - Identify duplicates
  - Conversion of historical/legacy codes
- Assignment – new or existing Group and 11-digit Code
- Data Entry – Coding tool
- QA

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Other Periscope Services

- Updated cross-references from the UN/SPSC, NAICS, and MCC Codes to the NIGP Code
- Coding – Assigning NIGP Codes to your items
  - Contract
  - Vendor Files
  - Inventory
- Consulting – NIGP Boot Camp
  - Integrating the Code into your procurement software
  - Implementing the code into your agency's process
  - Code Usage Review
- Printed Books

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