



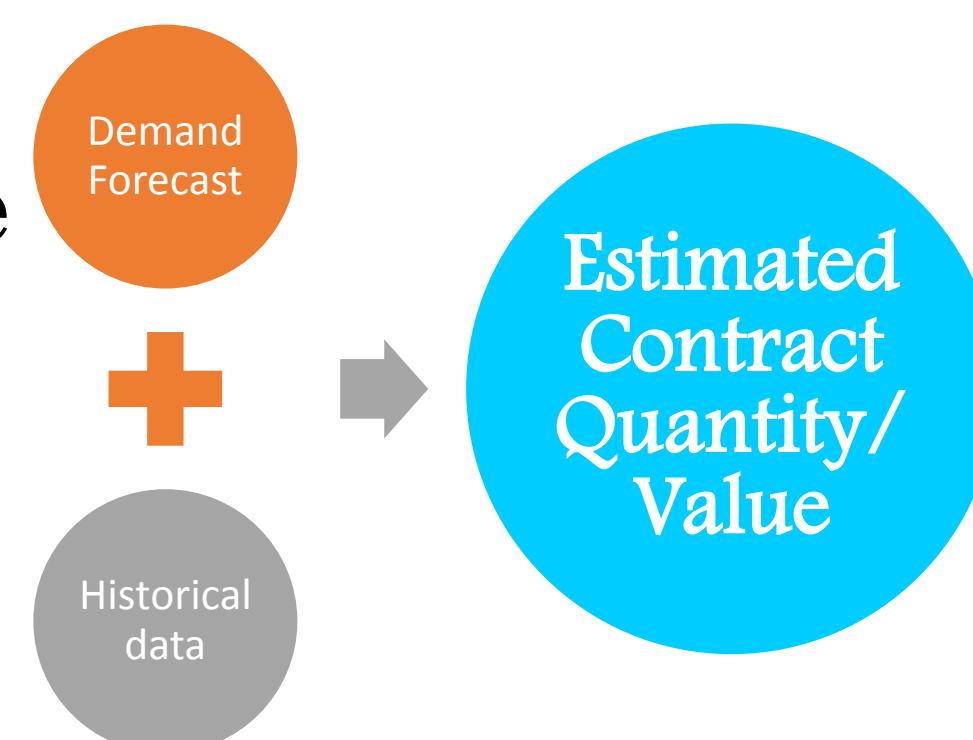
Automated Alert for Utilization of Procurement Term Contracts

Tan Kim Li, SCM
Ler Sock Hoon, SCM

1. Introduction

Supply Chain Management uses the SAP System as a database for all procurement contracts.

The awarded value/quantity is usually a conservative projection during the setup of the term contract, any sudden surge in usage can deplete a term contract substantially, resulting in insufficient time for the Buyers to top-up the contract.



Thus, it becomes critical to monitor contract utilization to ensure the contract value/quantity is topped up in time for continuity of supply/services.

2. Background & Aims

Once contract is established, outline agreement will be created in SAP. The awarded value or quantity is drawn down when Purchase Orders are issued to the Contracted Vendor(s). Currently the monitoring of contract utilisation is manually tracked.

If there is a sudden surge in usage, the contract value/quantity might be depleted, resulting in the following

OUT OF STOCK

Aim #1
to seek approval to increase contract value or quantity for purchase prior to depletion or expiry.

URGENT approval

Aim #2
to reduce undesirable "urgent" approvals for contract top-ups

STRESS

Aim #3
to avoid pent up frustration from users and queries from Management

3. Methodology

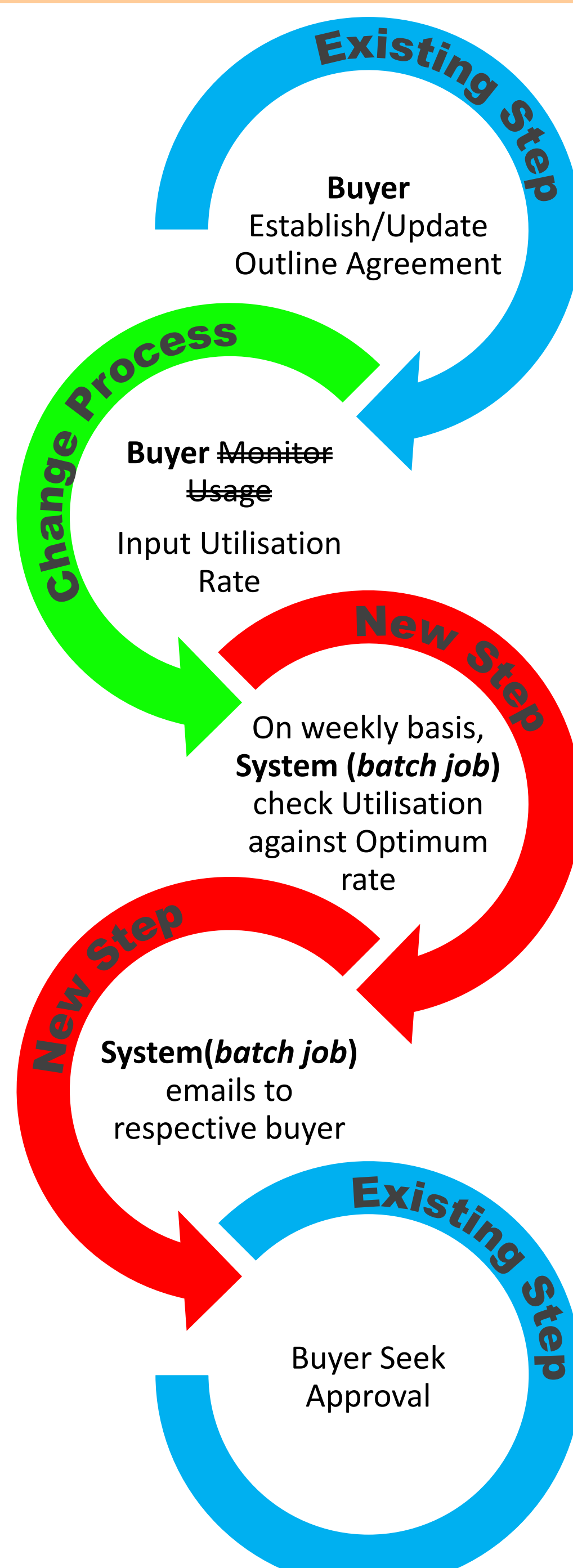
SAP enhancement was carried to trigger an alert to individual buyer if the contract value/quantity falls below the optimum rate set.

To activate the alert, buyer will need to input the optimum rate into SAP.

On a weekly basis, the SAP will run a batch job to generate a report of all contracts that falls below the optimal contract value/quantity set.

The respective buyer will receive this report and follow up with the necessary approval and contract top-up.

The contract value/quantity in SAP will be updated upon approval and the monitoring of contract utilization continues until contract expiry.

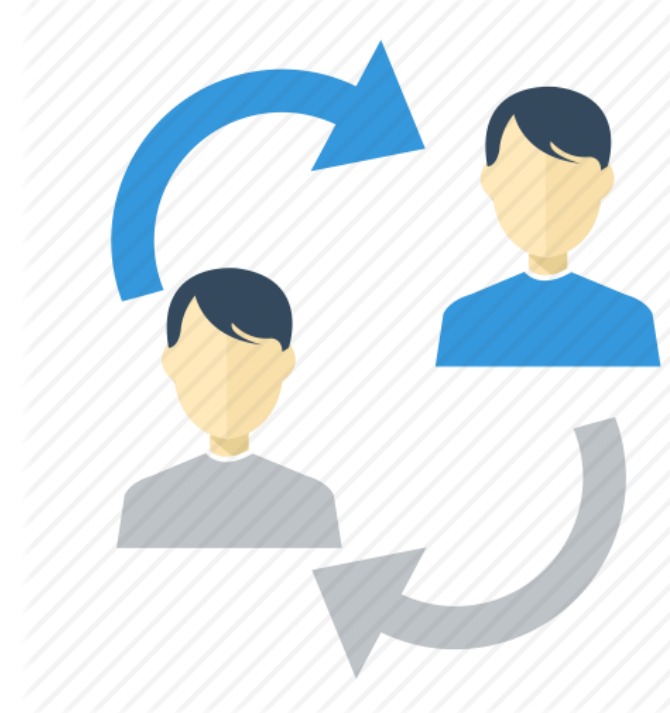


4. Results

Since the SAP enhancement for monitoring of contract utilization in November 2017, the Buyers

- ✓ Have sought approval to increase contract value or quantity for purchase prior to depletion or expiry
- ✓ Avert of "urgent" approvals for contract top-ups
- ✓ Eliminate users' frustration, buyer's stress and management queries due to urgent approval.

5. Added Benefits



Work Continuity

The contract is monitored regardless of any change of user or buyer.

Readiness of Information

Any Buyer is able to see the most updated status at any point of time.



6. Conclusion

With the monitoring of contract utilization, contracts are topped up before the term contracts are depleted. This ensures that there is always sufficient value/quantity for draw down and avoid any disruption of supply/services. In addition, it also improves procurement governance and abates undesirable "urgent" approvals for contract top-ups.

7. Going Forward

To better forecast the optimum utilisation rate