

## Better Visibility into Corporate Procurement Processes Yields Significant Savings



Founded in 1924, Ace Hardware Corp. is headquartered in Oak Brook, Ill., and is a cooperative, wholly owned by its 4,900 independent hardware, home center, lumber and building materials retailers. Ace currently operates 15 distribution centers in the United States and has stores located in all 50 states and 72 countries.

In January 2002, Ace Hardware implemented a corporate initiative to better control the financial process for the procurement of capital assets. The goals of this initiative were to leverage optimal procurement terms for the corporation, improve visibility into contractual obligations, avoid penalties, and streamline procurement operations. Through this initiative, all purchasing decisions, sign-off authority, contracts, leases and supporting amendments were centralized in the company's treasury department.

Prior to implementing the Selectica Contract Performance Management solution, contracts were stored and managed throughout the corporation with minimal visibility to purchasing terms, purchasing authority, existing obligations and end of life options. On a monthly basis, treasury personnel manually reviewed all contracts for upcoming milestones and end of life options. However, because the contracts were executed and stored across the corporation, it was extremely difficult for the manual process to catch every single contract. As a result, end of term obligations were missed and penalties levied. In addition asset procurement was decentralized, so Ace Hardware was not able to leverage the most optimal buying power with their suppliers.

### Selectica Demonstrates Savings of \$150K in a Matter of Days

During the initial implementation process, Selectica demonstrated immediate savings of \$150K on an end-of-term residual buyout option for a single contract. Based on these demonstrable savings, Ace Hardware chose Selectica to manage its contract portfolio with a value of more than \$40M, which consists of contracts for heavy equipment such as tractors, trailers and forklifts; office equipment including furniture, fixtures and computers; and fleet transportation for field staff.



### Key Benefits:

- Delivers immediate savings of \$150K in a matter of days.
- Achieves control in four weeks – including contract amendments and signature authorization pages.
- Enables Ace to control the procurement of capital assets and centralize purchasing decisions.
- Manages portfolio with a value of over \$40M.
- Creates business rules and workflow so all departments have appropriate visibility.

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### Centralized Contract Control in Four Weeks

Within four weeks, Ace Hardware uploaded hundreds of contracts into the Selectica repository. All contracts, accompanying amendments and signature authorization pages were seamlessly uploaded using the solutions automated electronic fax capability. With all the contracts in a single location, the treasury department created business rules and alerts so all related departments, such as transportation and IT, have visibility into relevant contracts and everyone has access to the contract workflow and sign-off process. All relevant reports are accessed via Selectica's Web-based interface, and can be quickly exported to Excel for inclusion in budgetary or financial reviews.

### Insight Through Analysis, Economies of Scale and Corporate Governance

As the central manager for all corporate contracts, the treasury department frequently uses Selectica's lease vs. buy analysis to reveal the best deal on proposed capital assets. This eliminates the inefficiencies of multiple purchases that used to occur across Ace Hardware's 17 manufacturing and distribution warehouses, and achieves improved economic buying power with Ace Hardware suppliers. In addition, the Selectica reporting and alert capabilities ensure that all obligation milestones are met, and the inefficient monthly, manual audits are a thing of the past.

As a privately held cooperative, Ace Hardware adheres to a strong corporate governance code and strict internal audits. By investing in the Selectica solution, the company has achieved tangible financial savings and while gaining an auditable decision support system for improved business control and processes in the areas of budgeting, forecasting and financial disclosure.

### Put Selectica to Work for You

Ace is not alone. As the volume and complexity of contracts continues to accelerate, optimizing contract performance has become a key corporate initiative in forward-thinking organizations looking to gain better visibility into key business processes and commitments. Indeed, in the face of heightened regulatory requirements and lingering economic uncertainty, contract lifecycle management has emerged as a key strategic initiative in organizations looking to improve operational efficiencies, mitigate risk and ensure fiscal accountability.

It is estimated that more than 80 percent of business relationships are governed by contractual agreements. Yet most companies lack an automated, unified way to manage the performance of their contracts. Without enterprise visibility and control of their agreements, these organizations are transacting millions of dollars of business without knowing whether key obligations and milestones have been met, or if discount and rebate rates match the negotiated terms. Selectica is recognized for having the industry's most powerful and cost-effective on-demand solution for managing complex buy- and sell-side contractual relationships. By providing real-time insight into all commitments, our Contract Performance Management solution enables organizations to maximize revenue and limit risk exposure while reducing contract cycle time and costs.