



E-Sourcing for Services

Moderator:

Andrea Grable, C.P.M., Worldwide Procurement Director, *Johnson & Johnson*

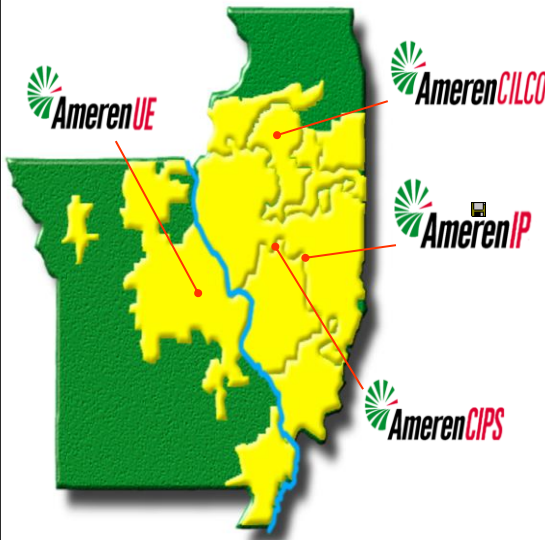
Panelists:

Erica Hill, Director Indirect Sourcing
MeadWestvaco Corporation

Chris Nelms, Managing Supervisor, Supply Chain Process & Systems, *Ameren Corporation*



Introduction...



- o Electric Customers 2.3 Million
- o Gas Customers 925,000
- o Service Area 64,000 Sq Mi
- o Generation 15,200 MW
- o Electric System Miles 81,507
- o Gas System Miles 20,350
- o Total Assets \$18.1 Billion
- o Total Revenues \$6.5 Billion
- o Employees 9,400
- o Regulated in Missouri
- o Non-Regulated in Illinois



Ameren Introduction...

- Ameren recognized that services account for over 60% of its indirect spend
 - The company reengineered its manual and fragmented services supply chain processes
 - Streamlined its processes and implemented a robust set of tools built on the Oracle OA framework and fully integrated with standard Oracle Services Procurement

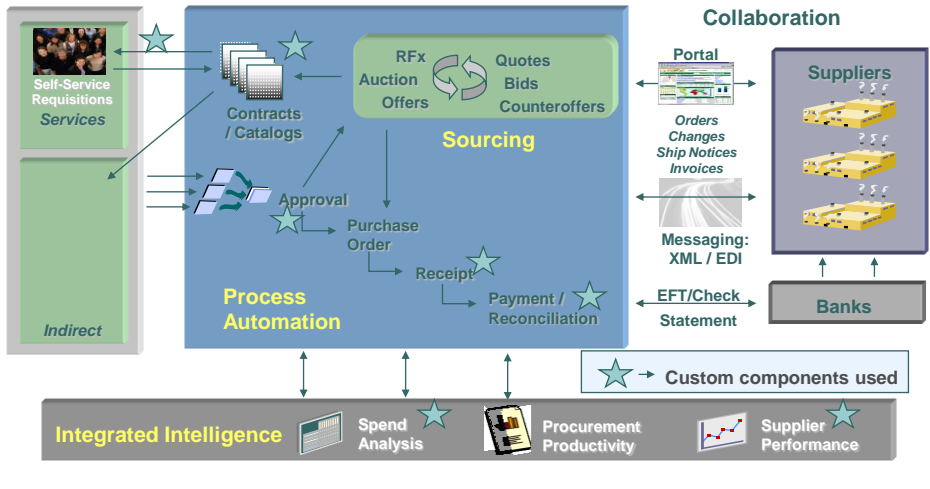


Ameren Oracle Sourcing...

- Previously done using AP spend data on Excel worksheets
- Had a software 'Bake-Off' to determine the best supplier
- Went with Oracle Sourcing ultimately because of the integration to the rest of our Oracle footprint.
- There was functionality in the other tools we knowingly sacrificed for this integration
- Ultimately we feel we made the right decision given where we are now in the process/system life-cycle.
- Ameren typically uses the eRFQ and eAuction functionality of the module.
- We are beginning to leverage the Procurement Contracts module both for Sourcing and Purchasing
- Past year spend through Sourcing/PO spend (based on non-fuel spend)
 - \$1.2B

Contractor Cost Tracking Module...

Seamlessly integrate with existing Oracle applications...



Benefits...

- o Common Benefits/Attributes Across Ameren BUs
 - A supplier / contract specific rate card feature
 - Single screen to enter material, time & expense details
 - Use of contract purchase agreement to maintain tab on supplier spend
 - Multiple time entry modes (daily, weekly, individual vs. bulk etc)
 - Bulk data upload using Excel file upload utility for rate cards and time card data
 - Time card approval engages matching and triggers evaluated receipt settlement (ERS) payment
 - Spend amount apportionment between multiple accounting buckets based on the type of spend & category
 - Rate card, time card approval notifications & workflow
 - Spend control using approved negotiations on a rate card
 - Traceability reports to view service request to payment life cycle
 - Designed and implemented with the goal of leveraging existing work management systems (WMS) in place in the energy delivery and generation user communities



Overall Project Results...

- Went live on schedule – May 21, 2007
- \$45M savings already achieved
 - Reduced maverick purchases
 - Sourcing process fully implemented
 - Spend information now available
 - A/P discounts capability enabled
 - Contract compliance
- Qualitative – strong buy-in across the user community leading to better acceptance of Oracle as an ERP system at Ameren
- Productivity improvements of over 50%
- Cycle time reductions of over 60%
- Project delivered under budget



Lessons Learned...

- Use a Project Management Office (PMO)
- Focus on Metrics
 - Focus on benefits as opposed to just technology
 - Desire for speed to benefits
- Oracle has a good overall product but the challenge was to implement as close to Vanilla as possible
 - Vanilla – Our favorite flavor
- Widespread user involvement
 - Design/Prototyping before the system was selected
 - Key Super Users from all over the organization were involved in the several rounds of testing.
 - Two rounds of testing SIT/UAT
 - Many (100+) users from all over the service territory representing all the BLs.
 - Supplier Involvement in Testing
 - Separate from UAT, but at the same time, Suppliers for the first rollout of CCTM came in and tested the system.

Johnson & Johnson

World's Most Comprehensive and Broadly Based Health Care Company



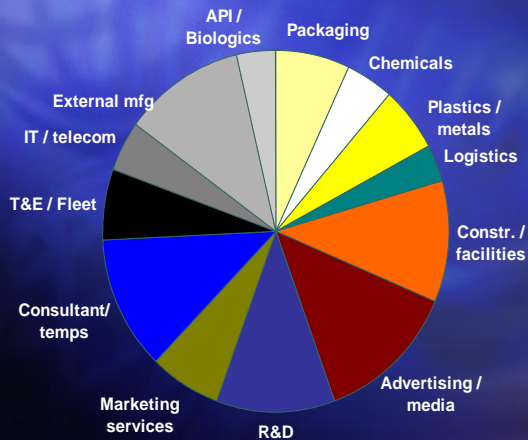
More than 200 Operating Companies
In 57 Countries Around the World
Selling Products in More Than 175 Countries



122,000 Employees
Worldwide

Potential Opportunity

J&J spends ~\$28B annually
on goods & services...



- 2/3 of spend in non-COGS areas
- Many areas not traditionally leveraged
- Some areas little prior procurement focus
- Big opportunity to leverage & focus



J&J e-Procurement Solutions

- Purchase Orders - Ariba Buyer (indirect) and SAP (direct and external mfg)
- Ariba catalogs – including services
- Sending Pos – ASN or fax machine
- E-Invoicing – ASN or web-invoicing
- E-sourcing – Ariba (Free Markets) and Combinet
- Internet
- Contracts repository – eICD
- Contracts creation tool – lead by law dept
- Low dollar purchases – AMEX

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E-Sourcing for Services

- When to use e-Auctions for Services
 - When the service is like a commodity
 - New buyers who are just gaining negotiation skills
- Advantages to using e-sourcing for Services
 - Retain RFP intellectual property and history
 - Able to compare many data point of a bid
- J&J e-sourcing services successes:
 - Logistics
 - Professional temp labor rates

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