



Specimen submission – Use as a guide to your submission for the 2009 FST Awards

Award(s) to be entered

Best use of Straight Through Processing

Name of nominee or head of department:

A.N. Other (Tel/Fax/Email/Address)

Nominee's job title:

e.g. – Head of Systems and Operations, Group Purchasing and Property Operations

Company name:

Royal Bank of Scotland plc

Name of nominator, or sponsor

(where candidate is nominating him/herself):

Cedar Software Ltd (Tel/Fax/Email/Address)

Relationship with nominee:

e.g. – Supplier of critical application software

INTRODUCTION: PROJECT SUMMARY

The Royal Bank of Scotland Group is one of the world's largest financial service organisations. To maintain such status and seek to improve this ranking, there is a continual drive for process improvement and cost reduction. The RBS Group has achieved a reduction in cost:income ratio from 57% in 1999 to a market leading 40.5% in 2004. One of a number of factors underpinning this is the way in which Group Purchasing & Property Operations source and transact on 3rd party expenditure. The iBuy Project delivers the transactional purchasing infrastructure.

THE BUSINESS CHALLENGE UNFOLDS:

eProcurement presented itself as a clearly identifiable area where RBS could introduce process improvements and cost savings throughout the Group. Disparate systems and paper based processes coupled with a fragmented approval process across the company provided an opportunity to have a single web-enabled purchase to pay process across the majority of the organisation. Routes to purchase for users could be confusing, which ultimately meant that every month, over 20,000 invoices with a value less than £500 had to be processed. To complicate matters further, there was a considerable volume of invoices without purchase orders, making approval an administrative nightmare.



THE iBUY PROJECT:

iBuy is a 'one stop shop' portal for the majority of commodity goods and services required by RBS, delivering straight-through-processing throughout the procurement process, from purchasing on-line through to payment of suppliers. Users can log onto iBuy via the intranet, search for the products they are looking to purchase, then complete the transaction on-line. This transaction is reviewed and authorised, and a purchase order is then generated. Once approval has been received (in accordance with the RBS procurement policy) the order is then despatched. This information is fed through to the core financial system so that, when the invoice is received, reconciliation and subsequent payment occurs quickly and efficiently.

From a user perspective, the process is clear (which supplier should I use?), quick (no forms to complete), and ultimately goods are received when required. For the company, it means that corporate procurement guidelines can be adhered to across the group.

MORE THAN A SYSTEM:

The processes that have been reviewed as part of this project have significantly improved transactional purchasing within RBS. The process makes people think before transactions take place – all decisions need to be made prior to submission to ensure the goods received are actually what people want. Evaluating user requirements has been key to the success of this project - without user acceptance the project would fail! The process has been streamlined for the user by eliminating the production of manual paperwork. Automating this process dramatically reduces the lead-time for all orders made.

BUSINESS BENEFITS:

The implementation was completed and went live on June 28th 2004. Already the benefits are exceeding expectations. Approximately 2,000 users have adopted the system already, and have executed £600m spend on-line, generating 20,000 purchase orders. The anticipated total spend through iBuy in the first year is £1.3bn. The on-line system automates supplier selection that ensures procurement policies and economies of scale are leveraged with core suppliers. The time from initial order request to receipt of goods is greatly reduced, due to electronic approval. With this process in place, the burden on finance has greatly diminished.

From a corporate perspective, the management information is already invaluable. Group Finance can evaluate the varying spend across the different cost centres due to the close integration between iBuy and the core finance system. Evaluation of spend by supplier is also visible, allowing Procurement to negotiate effectively and streamline the number of suppliers used. Access to this type of information provides Finance and Procurement with the visibility to analyse spending and take any necessary actions proactively rather than reactively.

IN PURSUIT OF EXCELLENCE:

As mentioned earlier, Royal Bank of Scotland is in continual pursuit of excellence, striving to maintain and build on their already enviable position in the world market. Due



to this culture, Royal Bank of Scotland is already looking for ways to improve the system. Plans are in place to roll this system out to over 10,000 users, as well as further extend email for order output. This automated process will also be extended to include the procurement of more complex commodities such as travel and promotional print items. iBuyTravel is currently in the pilot stage with strong feedback. A full Group wide rollout is expected by Q1 2005.

However, achievements of this project are already outstanding. It is difficult to quantify the time savings involved with the removal of manual processes and financial administration at this stage – needless to say RBS will have saved thousands of days effort that can now be redeployed to value-add activities. This project is delivering the cost-effective, efficient acquisition of goods and services, with potential saving of up to £20million year on year in conjunction with 2 other important supply chain related projects.

The volume of transactions already processed is phenomenal, and arguably makes this one of the largest and most successful financial services eProcurement projects within Europe.



APPENDIX A: THE SIX C'S FOR ROYAL BANK OF SCOTLAND EPROCUREMENT:

iBuy is made up of six core components, described by Royal Bank of Scotland as the Six C's of eProcurement.

Coverage – It is essential to ensure all staff in the bank purchase in the same way. Previously, around 200 users were carrying out procurement on 'green screen' terminals. This system required certain systems knowledge and was limited in terms of its usage. iBuy already allows 2,000 users to access the system via intuitive web-based screens and further roll-out will make this available throughout the organisation, providing access for up to 10,000 users. This ensures that procurement procedures are adhered to across the Group.

Consistency – The system needed to deliver a single process for eProcurement right across the Group. This engenders a dramatic process improvement and encourages the right behaviour for all aspects of eProcurement. Information on procurement procedures is available on-line and certain approvals and restrictions are embedded into the system, so can happen automatically.

Control – With increasing legislation and the need for accountability, while simultaneously looking to reduce bureaucracy and over-complication, iBuy needed to deliver very high levels of control. eProcurement is under constant scrutiny from auditors and Financial Directors and iBuy provides the levels of control required for them to have full visibility of all areas of the system. The system provides control, while eliminating unnecessary bureaucracy.

Content – RBS purchasers can buy just about anything and everything, and iBuy needed to make available a comprehensive range of standard and specialist items. Tens of thousands of items have been put into catalogues which are integrated into the company's Elevation 2 General Ledger codes to make this process as seamless and straightforward as possible. For more specialist requirements, such as hotel accommodation or flights, users access an approved web site to allow the transaction. This helps to maintain a realistic number of suppliers, allowing the procurement professionals to maximise supplier relationships to the commercial advantage of the Group.

Compliance – Robust management information provided by iBuy allows RBS to closely monitor the system and ensures that it can make continuous improvement. This visibility is key to gaining buy-in from a business perspective, as it allows executive enforcement and the assessment of managed targets on an ongoing basis.

Connectivity – iBuy allows open and secure XML file transfers and also provides links with other applications, such as Outlook for email confirmations etc. Back-end integration is critical to the effectiveness of this system, with all relevant information passing through to the core financial system.



APPENDIX B: THE ROYAL BANK OF SCOTLAND GROUP:

The Royal Bank of Scotland Group, founded in 1727, is one of Europe's leading financial services groups. By market capitalisation it is the second largest bank in the UK and in Europe and ranks sixth in the world. In March 2000, The Royal Bank of Scotland Group completed the acquisition of NatWest in a £21 billion deal that was the largest takeover in British banking history.

The enlarged Royal Bank of Scotland Group has a market capitalisation of £49 billion as at 30th July 2004, compared with £19.7 billion immediately after the takeover. It has more than 22 million UK personal customers, 2,273 UK branches and total assets at 30 June 2004 of £519 billion. The Group employs over 125,000 staff worldwide.

For the half year ending 30 June 2004 the Group increased its profit before tax, goodwill amortisation and integration costs by 12 per cent to £3,851 million Profit before tax increased 17 per cent to £3,381 million. Total income was up 20 per cent and all the Group's divisions increased customer numbers. Its cost: income ratio, a key measure of efficiency, improved to **40.5 per cent**.