

John Q. Hammons Hotels

John Q. Hammons Hotels streamlines purchasing across 78 hotels, using ReactorNet ePro, in order to centralize company purchasing and gain real-time business intelligence.

About JQH

John Q Hammons (JQH) is the largest private, independent owner and manager of hotels in the United States, representing brands such as: Embassy Suites, Hampton Inns, Homewood Suites by Hilton, Courtyards, Marriott's, Residence Inn, Renaissance by Marriott, Holiday Inns and Crowne Plaza by IHG, and Starwood.

In the fall of 2010, Doug Drake came on board as Director of Procurement to lead a newly energized procurement initiative that would positively impact the entire organization, which consisted of a single corporate office and 78 hotel properties.

Defining the Challenges

With full executive support, Doug dove head first into understanding the purchasing challenges of a large organization with so many properties, departments, purchasing categories, and suppliers.

The immediate challenge was to create a centralized purchasing process that would provide for real-time reporting on both total and categorical spending. The lack of real-time visibility into the purchasing process kept JQH from controlling its costs upfront and continually forced manual audits to take place, thus further compounding their procurement cost. With real-time visibility and business intelligence, JQH would then be able to analyze what items were being purchased and then leverage those purchases to acquire more savings.

The second major challenge was to create a set of policies and procedures and have a software solution that would enforce them. These policies had to be universal to the entire organization in order to create a standardized workflow process that kept things flowing smoothly and securely. In addition to the operational efficiencies gained through improved workflow, JQH would also be

Case Study Profile

- Challenges**
- Capture all purchasing across all departments for 78 hotel properties on a single platform
 - Provide reporting on purchasing by category and supplier
 - Automate purchasing and approval sequence
 - Automate Accounts Payable process

- Solution**
- ePro Requisition Manager
 - ePro Workflow Management
 - ePro Order Guide Management
 - ePro Invoice Automation
 - ReactorNet Supplier Enablement Services

- Results**
- Achieved short term cost savings from 8% to 19% varied across multiple departments and suppliers.
 - Attained P&L Management Capabilities
 - Attained real-time spend visibility business intelligence

satisfying the challenge of achieving a level of corporate compliance as defined under the Sarbanes-Oxley Act (SOX) with respect to approvals, authorizations, reconciliations, and segregation of duties.

Finally, there was the challenge of implementing a solution; that is, getting from point A to point B. With so many properties and individual departments at stake, Doug recognized that regardless of the procedural challenges that lie ahead, the change management task in itself would create one of the biggest challenges yet.

Choosing ReactorNet

ReactorNet has been implementing eProcurement solutions using the Software-as-a-Service (SaaS) model for over 12 years. As a SaaS provider, ReactorNet has built a reputation of focusing on the service aspect of our solutions as much as the software. Fortunately for ReactorNet, our reputation preceded us as Doug was able to experience that service first hand at a prior position within a different industry. He knew that given the challenges at hand, the software alone was only a piece of the solution and that ReactorNet was needed not only for their software but their “know-how” as well.

Implementation Strategy

So where do you begin in the process of converting 78 properties with multiple departments to an eprocurement platform? How do you invoke change management for hundreds of individual users who have grown accustomed and comfortable to their current way of getting things done, albeit very manual, tedious, and many times frustrating methods?

Throughout their history, ReactorNet has been answering these questions for their customers. At ReactorNet, we understand that every industry has its own nuances and every customer its own culture and capabilities; therefore, this presents unique challenges for each and every implementation.

For JQH, ReactorNet devised a custom strategy that would allow JQH to immediately begin making strides towards their core objective of Spend Visibility. To borrow an old phrase, if you can't measure it, you can't manage it. With this in mind, a plan was put in place to immediately begin using the system to start capturing, and thus measuring, their spend. Once this measureable purchasing data was obtained, JQH could begin putting the rules in place that would allow them to have categorical management over all of its purchasing.

The first steps to this plan were simple - determine which categories and vendors to target first, define new policies, configure the system and begin using it.

Planning

Because ROI in eProcurement directly correlates to the amount of purchasing that flows through the system, JQH followed best practices and concentrated their immediate efforts on their top spending categories and largest vendors. JQH also separated out their Preferred Vendors from other local vendors in several major categories.

The ReactorNet Account Services team assisted in this analysis by researching the capabilities of each Preferred Vendor and initiating supplier enablement services to bring these vendors onboard. As it turned out, several of JQH's Preferred Vendors were already part of the ReactorNet Supplier Network, thereby saving JQH weeks of valuable setup time.

Setup & Configuration

With the vendor selection complete and supplier enablement underway, ReactorNet presented JQH with a foundational workflow, taking into account their existing purchasing policies and procedures. Several major vendors were setup in a matter of days and the system was setup with all the required content such as users and locations, authorization levels, approval routing, and notification methods.

Although there will always be room for configuration changes, this best practices approach enabled JQH to get a quick start in their eprocurement initiatives.

Change Management

JQH took a very traditional change management approach by rolling out to a select region first and then aggressively expanding the conversion across the entire organization.

User Adoption is widely considered the largest obstacle to successful eprocurement deployments; however, for JQH, their users were not only able to quickly grasp the new system, but immediately understood the value of the system and what these new changes ultimately meant to their organization.

Results

The combined leadership and subject expertise between JQH from ReactorNet has produced amazing results. JQH is outperforming many widely published best-in-class benchmark reports.

Here's a look at just a few key metrics that are important indicators in the area of eProcurement.

Implementation

JQH began the project by selecting six hotels in a select region. Within two months, a proof of concept was successfully completed and the decision to roll out the remaining 76 hotels was made. Within six months, each JQH property was up and running on the new platform.

Catalogs

The area with the most dramatic results was in the area of vendor

catalog implementation. ReactorNet was able to implement an initial list of eight Preferred Vendors in a matter of weeks using the ReactorNet's Punch-Out Catalog feature. Shortly thereafter, an additional four Preferred Vendors had joined the Punch-Out ranks, thereby creating a very efficient Procure-to-Pay process for the bulk of JQH's purchasing.

Today, not even a year since implementation, a staggering 8000 vendors are represented on the JQH platform as a result of the Requisition Form and high user adoption rate. Of these 8000, 300 have been converted to a hosted, managed catalog format. Additionally, many of these vendors, especially those who lack advanced integration capabilities, are utilizing JQH's Vendor Portal to maintain their catalogs and pricing contracts.

Immediate Cost Savings

With a consolidated purchasing platform, JQH was able to commit to larger volume on certain items and therefore negotiate larger discounts. Of course, the ReactorNet system is constantly managing the contracts and comparing invoices to eliminate any savings leakage for JQH.

This savings, combined with increased productivity and error reduction, has produced an estimated short term cost savings from 8% to 19%, varied across multiple departments and suppliers. Additionally, paper audits trails and lack of responsibility have been eliminated and their supplier relationships have never been stronger.

User Adoption

Typically, lack of user adoption is the single largest obstacle in successfully implementing almost any new business process, and that definitely holds true for eProcurement. JQH has had tremendous success in this area. Best-In-Class performance reports indicate an average of roughly a 62% user

adoption rate, that is, the number of active users relative to the number of registered users. JQH is operating close to 90% after just a single phase of training. With additional training, mandates, and user interface improvements, JQH is confident that 100% user adoption will be achieved in the very near future.

Looking Forward

With so much success, it only stands to reason that JQH is very excited about the future when it comes to procurement and their partnership with ReactorNet. Given the spend visibility that is now available to them, the procurement folks at JQH will be plenty busy analyzing data and making strategic decisions that will have a huge impact on the bottom-line for the organization. It is a task that JQH will gladly accept.

Even with their newfound capabilities, JQH and ReactorNet are proactively pursuing the next steps on the project roadmap. A few of the more immediate stops on the roadmap include:

- Complete the Purchase-to-Pay cycle with ACH/EFT
- Provide customized reports for corporate and field-level users
- Provide built-in budget tracking features

It is an exciting time for JQH. Procurement has been elevated to a new level of efficiency and effectiveness giving them a new area of strategic advantage. As for ReactorNet? Another happy customer and a leadership position in the hospitality industry.

| Implementation Snapshot | | | | | |
|-------------------------|---------|-------------------|------------------|-------|--------------------|
| Timeframe | Vendors | Vendor Punch-Outs | Managed Catalogs | Users | User Adoption Rate |
| 6 Months | > 8000 | 8 | > 300 | 1270 | > 90% |

About ReactorNet

ReactorNet Technologies is a premier provider of hosted and managed Software-as-a-Service e-procurement solutions. The company's collaborative and customizable software drives greater productivity, spending control and compliance in customers' procurement operations, without incurring additional investments in hardware and software. By helping companies control costs, ReactorNet enhances profitability for companies of all sizes in virtually any industry. **For additional information, visit www.reactornet.com.**

