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**State of Georgia**

Department of Administrative Services

State Purchasing Division

**2017 George Cronin Awards for Procurement Excellence**

**Amazon for Business**

 **in Team Georgia Marketplace™**

**Executive Summary**

Spend analytics data that the Georgia’s Department of Administrative Services, State Purchasing Division (SPD) reviews on a regular basis showed that millions of dollars of spend were occurring annually directly with Amazon. The dollars spent were not only for the items themselves, but also for prime accounts created by individuals throughout agencies who were purchasing items directly through the site without complying with the state’s purchasing policies and laws.

To maintain flexibility, but establish controls, Georgia’s Department of Administrative Services, State Purchasing Division (SPD) implemented Amazon for Business catalog capabilities in Team Georgia Marketplace™, the state’s virtual catalog application that is integrated with the State’s ERP system. This allowed for controls to be in place prior to the purchases being made and for the Amazon catalog to be available through the purchasing system, but with a curated catalog that provides warnings regarding state policies for categories of items that are also currently available under statewide contracts.

Amazon Business is not a Statewide Contract, but allows users to purchase items not on Statewide Contract that are below the State’s $25,000 bid threshold. Requestors access the Amazon Business Marketplace™ in the same way they access any of the other available catalogs in Team Georgia Marketplace™. Because Amazon Business is now available through Team Georgia Marketplace™, requestors can use their State issued Purchase Card (PCard), create their purchasing cart, move the items in the cart to a requisition, and have the purchases approved before the system creates the Purchase Order and dispatches it to Amazon for processing. Using this automated purchase order process engages the procurement staff at each of the agencies who can approve or deny the purchase based on their established policies and laws.

The benefits of adding Amazon Business to our virtual catalogs include:

* Shopping for both statewide contract and Amazon Business items are available in one session. The items can be brought back into PeopleSoft into a requisition and will be split out by supplier when the purchase order is created.
* Integration with the State’s purchasing process. Approval workflows are already included with the requisition process and applied to the Amazon Business purchase. This allows the procurement team of each agency to have visibility into what is being purchased through Amazon **before** the item is purchased.
* Free two-day delivery on qualified purchases that total $49.00 or more **without** the need for each agency to have a Prime Membership at a cost of $99 Annually.
* Tax exempt purchases.
* Access to over 2 million additional sellers with business exclusive merchandise and pricing.
* Dedicated Business Customer Support to assist with fulfillment and returns.
* Controlled shipping locations through the PeopleSoft purchase order process. This decreases/eliminates the possibility of individuals shipping items to personal locations.

**Innovation**

eCommerce is changing the way employees are purchasing items at state agencies, colleges and universities. The Department of Administrative Services (DOAS), State Purchasing Division (SPD) identified a large amount of spend occurring directly in Amazon as well as spend on prime accounts created for the individuals shopping on Amazon. Working with our catalog management vendor and Amazon, we implemented Amazon Business in Team Georgia Marketplace™ to maintain purchasing flexibility, but increase controls related to Amazon purchases. This increases the visibility of what staff buys from Amazon for the procurement staff and the department management of each entity utilizing Team Georgia Marketplace™ in the State. This also allows for the established requisition process to be used so that purchases through Amazon also go through the approval process before the transaction occurs. The table below details processes and issues before Amazon Business was implemented and the resulting process after the implementation.

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| **Amazon purchase process outside of** **Team Georgia MarketplaceTM** | **Amazon purchases in** **Team Georgia MarketplaceTM** |
| Users sign up for prime accounts at a cost of $99/year.  | Free two-day delivery on purchases totaling $49.00 or more and free prime shipping benefits without the annual membership cost. |
| Users must indicate their purchases are tax exempt. | Purchases are automatically tax exempt because of Team Georgia Marketplace**TM** configuration. |
| Users can include personal email addresses and home addresses to access site. | Access of the site is controlled by user information derived from PeopleSoft credentials. |
| Users can ship the items purchased to any location. | Ship-to locations are controlled so that items can only be shipped to valid locations identified in PeopleSoft. |
| Users can make purchases for items without approval or visibility for the procurement staff. | Amazon purchases made in **Team Georgia MarketplaceTM** have the approval workflows in place that gives managers and procurement staff visibility into the items being purchased before the actual purchase is made.  |
| Users can shop for anything in the Amazon site including items that should be purchased from a Statewide Contract. | Categories of items under Statewide Contract are curated to display warnings to users when they try to purchase item that are non-compliant with state purchasing policy. |
| Users access an external website to make purchases. | Shopping for both Statewide contract and Amazon Business items can be done in one session streamlining the process. |
| Users access the Amazon site for commercial use. | Users access Amazon Business Marketplace which has over 2 million sellers with business exclusive merchandise and pricing |
| Users make purchases with state issued Procurement Cards (PCards) without the need of approval. The PCard Transactions are reconciled and approved in PeopleSoft after the purchased has been made and received. | Users make purchases with state issued Procurement cards. Purchase is approved for PCard use before the PO is dispatched and the PCard Transactions are reconciled and approved in PeopleSoft. |
| Users access own Amazon accounts and have no visibility to any State purchasing limitations based on State purchasing policy or can view Statewide Contract items as they purchase what they need. | Purchasing policy warnings occur when the user first accesses the catalog as well as when the user selects and item category that is under Statewide Contract. |
| Limited availability of spend data for analysis and audit. | Detailed data available at agency and user level for analysis and audits and includes detailed description of items and costs. |

Georgia’s Department of Administrative Services, State Purchasing Division (SPD) has not mandated the use of Team Georgia Marketplace™ for Amazon Business purchases, but rather has nudged the users and their management toward purchasing through it. Benefits such as the elimination of the prime account costs and being able to purchase contract and noncontract items in one place were used to create user adoption. The site went live in January of 2017 and we currently have approximately 500 users enrolled in the site most of whom originally had prime accounts.

The master account set up for the state agencies in Amazon allows us to control tax exempt status on the purchases eliminating the need for the end user to indicate it. We also worked with Amazon to implement a tax refund process if a vendor inadvertently does include the tax.

**Transferability**

The Georgia’s Department of Administrative Services, State Purchasing Division (SPD) is the first state to implement Amazon Business as part of its procurement tools. During the implementation process, Amazon readily worked with our support team to embed their catalog capabilities and purchase order communication process. Amazon is now working with other states who use different procurement tools to implement their catalog capabilities as well. Amazon also worked with us to develop a site that meets government user needs by limiting advertising and options. We used a 3rd party software provided by Jaggaer (formerly SciQuest) to enable the catalog and purchase order dispatch capabilities. This could also be done directly from our ERP system using what is called the web punch out capability.

Users enroll in Amazon Business the first time they access the catalog site and can then take advantage of some of the Amazon user benefits such as Shopping Lists, sharing their list with another person via email, thereby making it a Shared List (this gives the user the option to purchase the items for you), and creating a Wish List.

Users who already have an Amazon or Amazon prime account are prompted to merge that account into the new business account when they enroll. The user’s work email address is the key data that is used to recognize the existing account.

Besides the controls provided by having Amazon Business in our marketplace, we are now able to see detailed spend data that is occurring in Amazon through their reporting capabilities. This data is used for spend analysis when creating and rebidding statewide contracts and for price analysis.

**Service Improvement**

Implementing Amazon Business in our marketplace allows users to shop for Statewide Contract and noncontract items in one place. They can select contract items for their carts as well as Amazon items, eliminating the need for them to select items inside and outside of the procurement tools applications. Users can also comparison shop on the marketplace site and easily see the statewide contract price versus the noncontracted price in Amazon. eCommerce has created readily available shopping sites on the internet and can distract agency resources from purchasing the contracted items and following policies and guidelines for purchases. The eCommerce purchases are often made without any interaction with the procurement staff and may only be noticed after the purchase is made when the Purchasing Card transaction is reconciled. Moving a site like Amazon Business into our marketplace expedites the shopping process by letting the users see everything in one place as well as encouraging purchasing behaviors that follow policy.

The ERP we have in place allows multiple vendor items to be included on one requisition so the shopping user can put items from multiple statewide contracts and Amazon in one cart and one requisition so the items can be approved together before moving to the buyer to process the purchase orders for the individual vendors. The buyers now have visibility into the purchases and can delete items if they are greater than the no bid limits or should have been purchased from a mandatory statewide contract.

**Cost Reduction**

Cost reductions have been realized from the elimination of Amazon prime accounts that were in place before the roll out of Amazon business. Additional savings has also occurred when shoppers comparison shop with the Statewide contract prices. Additionally, indirect cost savings has been achieved due to time savings directly resulting from allowing shoppers to complete their purchasing needs in one location without going to multiple sites. The reduction of misuse or fraud risk because of the added governance is another example of indirect cost savings/benefit the state has received.

**Conclusion**

Georgia’s Department of Administrative Services, State Purchasing Division (SPD)implemented Amazon Business in Team Georgia Marketplace™, the state’s virtual catalog application that is integrated with the State’s ERP system, in January of 2017 and has been using the benefits of this process to nudge users and management to its use in Team Georgia Marketplace™ rather than mandating it. For the users, Amazon in the marketplace means the ability to comparison shop in one location, prime like benefits with no cost of prime membership, guidance on purchasing rules and automatic tax exempt status.

For the purchasing staff, Amazon in the marketplace provides controls for decentralized purchases ensuring that managers approve the purchases before they are automatically routed to the procurement staff by the system, as well as, provides the ability for the purchasing staff to edit and refine the purchases based on State policies.

For Georgia’s Department of Administrative Services, State Purchasing Division (SPD), it provides the ability to curate the Amazon categories based on the statewide contracts in place and it also provides detailed analytics on items purchased across the state.

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