



# Spend analysis reduces procurement costs for Cayman Islands Government

Client name: Cayman Islands Government

Location: Cayman Islands

Industry: Public Sector

### Challenge

- Lack of consistent, professional, centralized oversight and governance of the country's procurement function
- Identify and target areas to reduce government spending following the economic recession in 2008
- Bring world-class standards and best practices to the country's procurement processes

### Solution

- Worked with the Cayman Islands' first-ever procurement director to establish a pan-government view of spending activity
- Used comparative benchmark spend analysis from other countries for similar product and service categories
- Established baseline metrics and used data and electronic reverse-auction methods to pursue savings

### Results

- Over KYD\$6 million total savings to date across multiple procurement product/service categories
- Saved 32% on office supplies via a consolidated government-wide contract driven by benchmark data analysis
- Saved 22% on pharmaceuticals and medical supplies

## The Cayman Islands enjoys global status as a popular tourist destination and major financial services center.

Yet even this prosperous Caribbean country was not spared from the downturn in the world economy in 2008. Following the downturn, the Cayman Islands Government implemented austerity measures, including ways to reduce its KYD\$130 million annual goods-and-services expenditure.

A 2011 report produced by the Office of the Auditor General (OAG) — the Caymans' public spending "watchdog" — identified procurement as an area in which the government could save money. An initiative was launched to reform the public procurement function, and Craig Milley was hired as the country's first director of procurement for the Cayman Islands Government.

"When I arrived in 2015," says Milley, "procurement was largely ad hoc, self-service and distributed throughout the various government ministries. I was given the mandate to do two things: establish new procurement legislation and save money at the same time."

To start, Milley had to understand how much the government was spending on procurement and where. "Like most governments, our spend profile is very broad," he says. "We have 14 ministries, 19 statutory authorities, and 7 government-owned companies — all of which are publicly funded. And while our spend was very broad, it was also very siloed at that time; in most cases, chief financial officers (CFOs) were only working with the data for their particular ministry or public entity. This was an opportunity to take a pan-government view of spending activity. Knowing who our suppliers were across the government, how much we spent, and being able to answer questions about those areas quickly were key to delivering on the reform initiative. I wouldn't have been able to do these things without DXC Technology putting the data together for us."

Milley and his team of just two staffers used DXC Spend Analytics to collect and assess data to get a more precise picture of procurement and to identify areas where the Cayman government could quickly make improvements and realize significant savings. The data revealed a number of areas to tackle, including office supplies, pharmaceuticals and medical/surgical supplies.

As Milley explains, the data showed spending on office supplies was considerable — around KYD\$2 million. He said that, if asked, the CFO of each ministry or entity would say that he or she spent only small amounts on office supplies. But using the comparative data provided by DXC, the team saw that the government was spending a lot more on office supplies as a percentage of the overall budget than the typical U.S. public sector agency.

“That was one of the ways in which DXC was very helpful,” Milley says. “Even something as simple as understanding spending benchmarks was not something we could do on our own. DXC helped us with that.”

Milley and his team started a pilot project to use electronic reverse auctions for office supplies and other areas of potential savings. He says the spend data let them show suppliers bidding for the contract “the size of the overall prize” and helped the government negotiate from an informed position. The reverse auctions have now been adopted as the government’s method of choice for strategic procurement categories — generating a savings to date of more than KYD\$4.2 million.

Pharmaceuticals and medical/surgical supplies were also targeted for cost reductions. Together, they account for the single largest spend category in the Cayman healthcare system after labor costs. In addition, across all 250+ spend categories defined by DXC Spend Analytics, pharmaceuticals was the third-highest spend category for the entire government. Applying an approach similar to the one they had used for office supplies, Milley and his team launched a spend analysis project in late 2017 to evaluate procurement expenditure in these areas. The result: more than KYD\$3 million savings in pharmaceuticals and KYD\$1 million on medical/surgical supplies, a total savings of 22 percent. “Dollar-wise, it was the single biggest component of our savings to date,” Milley says. “You can imagine the impact that had on our public health system — it made a major difference to us.”

One major key to the success of the government’s procurement reforms has been DXC’s spend analysis data. Milley and his team were able to deliver accurate and detailed spend data to the minister of finance, the premier and the Cabinet about the size and composition of the supplier base, the areas where spending is focused across each of the individual ministries, and comparative data with other public sector organizations.

“The Cabinet was just seeing the scale and scope of the country’s total spend in this way for the first time,” Milley says. “The analysis using DXC’s comparative data to show the percentage spend in each category compared to the typical public sector organization was powerful. It was on the strength of that data that the Cabinet gave its support to the initial pilot project for reverse auctions, which resulted in KYD\$400,000 to KYD\$500,000 of measurable savings.”

Milley adds that the Observatory, part of the DXC Spend Analytics service, has been particularly useful to their projects. “We have a very up-to-date Oracle R12 environment here, and I came from a JD Edwards environment. Those are both great foundational systems, but it’s very difficult to get meaningful executive-level information out of them. I think many people who don’t analyze their spend are just very jaded by their enterprise resource planning (ERP) systems — they never get to see what they really want to see. This is where the Observatory and the DXC Spend Analysis service really delivered for us.”

The Cayman Islands government now plans to update its data to track progress and identify new opportunities. “Working with DXC has been great — throughout the entire process the team supporting us has been top-notch.” There are also discussions about whether to move to the transparency side of the service to give more people access to the spend data. Milley says: “It’s certainly an evolution here in the Cayman Islands in terms of the government opening up procurement and making it a much more transparent function. Overall, it’s made more people interested in using the data when making their procurement decisions.”

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