PROJECT INITIATION SUMMARY

NOTE: this is a summary of the Project Initiation Document. Full details and contents of the PID can be found in there.

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Project Definition

We are a business project group, which provides IT solutions to a range of different businesses. We have been approached by Peters' Pharmacy Group to plan a feasibility study of implementing a central purchasing process system. One of the reasons for this is to reduce the number of "stock-outs" the group is experiencing.

Project Objectives

Objectives	Priority
Produce a more efficient method of ordering and replenishing stock	**H**
Create an SAP ERP system	**H**
Migrate existing data records to the database	**H**
Staff trained to use the new technology	**H**
Have a central warehouse	**H**

Project Exclusions

- We will not be responsible for the hiring process of warehouse workers and person(s) that will oversee the purchasing process from wholesale suppliers of Peters' Pharmacy Group.
- Creating a database that will hold stock level records.
- Designing and developing the backend of SAP.

Project Assumptions

- There are enough vans currently owned by the business, so we will not have to procure more vans.
- Each pharmacy has outdated computer equipment that will need upgrading and they have one POS each (i.e. each pharmacy will need one computer).
- We will use SAP as POS (so that we do not have to integrate current POS into SAP).

Project Constraints

- Turnover is down 40% in the non-prescription business, meaning there will be less investable capital for Peter's pharmacy to spend on the project.
- We are in a worldwide pandemic, so there are some worldwide constraints.

Business Options

- Going into the project, we've identified three possible business options:
    - Continue with the business as is
    - Do the minimum requirements for the project
    - Do the ideal solution
- After careful consideration we've decided to go with the last option – to do the ideal solution. Reasons for the decision are as follows:
    - The first option would not solve the issue at hand and profits would continue to decrease

- While the second solution would be cheaper to finish, it would not include some parts of the project, which the third option does, such as the development of a custom front-end. That would mean that using the system would be more difficult, it would take longer to finish a transaction for each customer, decreasing customer satisfaction and not improving the sales as much as the third option would. That would mean in the long run, that the profits lost and project costs added up together would be higher than project costs for option number 3. The specific differences between options number 2 and 3 can be found in the full version of Project Initiation documentation.

Timescale

- We expect the project duration to be 154 working days, which is approximately 5 working months.
  - Within this time frame, we expect the server and endpoint machines to be selected, ordered, delivered, built and installed, SAP to be installed onto the server and front-end developed, integrated and installed onto the endpoint machines. All necessary data for SAP to be working will also be collected, analyzed and inserted into necessary database tables.
  - There will also be a training process developed and employees will be trained to be able to use the new system.
  - We will also integrate our system with wholesale suppliers and automatic ordering levels will be set in order to save time for the employee that will handle the day-to-day central ordering process.
  - In order to get this all done, we will also build a new network to which the server and all the new endpoint machines will connect to and that will allow them to communicate with each other.
  - When all this is built and prepared, we will conduct tests to validate that everything is working as expected and it can withstand continuous traffic.
  - We will also prepare new business processes and alter the existing ones affected by the new system and prepare all the documentation (including project management files).
- We also need to account for tolerance in delivery time which is 10%. Including the tolerance, we expect the project to take appx. 170 working days.

Investment Appraisal

We expect the project costs to be approximately £655,000 (including the tolerance budget). Using the numbers given by the business and using a conservative expectation of growth to 2019 numbers within 3 years, we've calculated the project would pay for itself in approximately 1.5 years (using only the profits generated by the project) after the project has been completed.

Profit 2019	£ 3,499,671		How long it will take to get to 2019 numbers	3 years		
Profit 2021	£ 2,100,000					
Difference (%)	40%		Profit increase 1 year after project finish	£ 466,557		
Difference (£)	£ 1,399,671		Profit increase 2 years after project finish	£ 933,114	project costs will be covered in year 2	
			Profit increase 3 years after project finish	£ 1,399,671		
Project cost	£ 655,000					
			Company profit in year 1 after project finish	£ 2,566,557		
It will take 1.40390156938468 years for the project to pay for itself			Company profit in year 2 after project finish	£ 3,033,114		
			Company profit in year 3 after project finish	£ 3,499,671		
(that is 1 year and approximately 5 months)						

List of Risks

- Staff illness
- Number of vans are insufficient
- Suppliers failing to meet the contractual commitments
- Hardware malfunction or other possible failures with it
- Insufficient Staff training
- Lack of funding/ Sponsor disengagement
- Functionality issues with the SAP software
- Employees taking out holidays
- Damage on the vans
- Delayed deliveries
- Not enough components

Product Breakdown Structure

- Project Management Products:
    - Distribution Documentation
    - Development Documentation
    - Deployment Documentation
- Warehouse
    - Procurement Documentation
- IT Infrastructure
    - Agreed IT Infrastructure Design
        - Servers → Configure Network Connections
        - Network → Configured Network, Internet Access, Cables
        - Endpoint Machines
        - Storage → Data Backup
- Database
    - Existing Data Analysis
        - Data Insertion
- Software
    - Agreed Software Design
        - Operating System
        - Presentation Tier → GUI → GUI for Pharmacies & GUI for Warehouse
- Staff training
    - Staff Tests
        - Test Results
        - Online Tests
    - User Manuals
        - Digital guides
        - Hard Copies
    - Training Materials
    - Training Plan
- Testing plan
    - Testing Documentation
    - Testing Plan

Costs

We have the following costs:

- IT-Infrastructure – Hardware and Network (total: £ 75,780 incl. VAT.)
    - WI-FI (£ 14,957 incl. VAT)
    - Server (£ 2,127 incl. VAT)
    - Server OS (appx. £ 373 incl. VAT)
    - SAP Business One License (appx. £ 36,200 incl. VAT)
    - Endpoint Machines (appx. £ 22,061 incl. VAT)
- Warehouse (total: £ 458,000 incl. VAT.)
    - Property (£ 399,00 incl. VAT)
    - Shelves (£ 2,500 incl. VAT)
    - Pallet Truck (£ 2,100 incl. VAT)
    - Forklifts (£ 52,250 incl. VAT)
    - Warehouse Scale (£ 1,980 incl. VAT)
- Operating Costs (total: £ 61,000 incl. VAT.)
    - The operating costs includes costs for three main positions.
      All these positions include the work hours and costs of our staff.
      Preparation takes the first position. The preparation costs are £24,845 in total. That includes costs for the information acquisition process. The key points are:
        - Project management
        - Distribution network
        - Server Hardware
        - Central Warehouse
        - Central IT department
        - Current IT status
        - Software
        - Business practices/processes
        - Network
        - Training
        - Testing
    - Execution takes the second position with total costs of £34,618
      We use the collected information from the preparation to execute the project. The key points are the same. We provide the client with the software, staff training and documentation. This does not need to be handled by an external agency service, and so will save costs. The client will find short guides for the features in the front-end.
    - The last position of our operating costs is the monitoring with a total cost of £1,500. The key points for the monitoring are:
        - Project management
        - Hardware
        - Network

We need to pass the client the documentation, cancel supplier contracts, release the staff and inform stakeholders of the closure of the project. We also need to set up alerts to prevent hardware usage over the allowed limit and finally, we need to set up automatic tests for the network connections.

- Total Costs: £ 595,000 incl. VAT.
    - Total Costs incl. 10% tolerance = £ 655,000 incl. VAT.

Benefits

	Quantifiable/Tangible	**Non-Quantifiable/Intangible**
Positive Benefits	• Reducing the possibility of the branches having "stock outs" • Increased sales in the long run • Decrease of product purchasing prices	• Improved lead times • An improved customer response • Improvements in purchase analytics

	Quantifiable/Tangible	**Non-Quantifiable/Intangible**
Negative Benefits	• Training costs • Time spent on training • Maintenance costs	• Staff might struggle with the new system