



Administrative Excellence

UNIVERSITY OF WISCONSIN-MADISON

Shaping our Future

STRATEGIC PURCHASING (A.K.A. DEMAND MANAGEMENT)

Context

- The use of state purchasing contracts is mandated for many commodity areas, limiting procurement flexibilities and suggesting possible savings beyond price.
- The lack of consistent, campus-wide purchasing guidelines/standards, and limited monitoring of campus purchases contribute to units making purchasing decisions based purely on local need.
- Product proliferation and purchasing across multiple vendors for each commodity is common.

Analysis

- Analyzed campus spending and current contracts to understand the variety of products being purchased, current purchase methods, and preferred vendors
- Reviewed campus spending on high volume, frequently purchased products to understand opportunities for product standardization and simplification
- Compared purchasing guidelines and habits with those of peer institutions and industry practices to identify opportunities, such as, increased use of remanufactured toner, or reduced proliferation of maintenance, repair, and operations (MRO) products

Findings

- UW effectively encourages and utilizes the E-Commerce site to direct user spending to primary vendors, but coordinated demand management efforts can yield additional savings by:
 - **Consolidation:** reducing the proliferation of products purchased for the same need (e.g., the purchase of more than 250 types of black pens)
 - **Substitution:** transferring purchases from a more expensive option to a less expensive option that doesn't sacrifice quality (e.g., shifting toner purchases to remanufactured toner, which is of equal quality and promotes sustainability)

Opportunities

- Potential savings of between \$1M and \$2M annually could be realized, just across office supply, MRO product, and scientific supply purchases.
- Significant additional savings can be achieved by applying the same strategies across other commodity areas that were not reviewed.

Remanufactured Toner: Both a Sustainable and Cost-Saving Choice

HP Product #	Total Qty.	Estimated Annual Spend	Average Staples Unit Price	Cartridge Savers Price	Demand Management Savings	
					%	\$
CE505A	610	\$43,640	\$71.67	\$48.15	33%	\$14,320
Q6470A	379	42,930	113.27	74.90	34%	14,540
C9720A	310	39,130	126.22	64.20	49%	19,225
C9733A	135	37,035	274.39	101.65	63%	23,315
C9730A	188	36,175	192.41	101.65	47%	17,065
C9731A	134	36,150	269.76	101.65	62%	22,525
C9732A	133	35,880	269.76	101.65	62%	22,360
Q5950A	205	31,195	152.17	85.60	44%	13,645
C9723A	178	30,350	170.51	69.55	59%	17,970
Q5942A	234	29,865	127.63	58.85	54%	16,095
CC364X	126	29,710	235.81	101.65	57%	16,905
Q5942X	159	29,120	183.14	58.85	68%	19,760
C9721A	159	27,110	170.51	69.55	59%	16,050
C9722A	157	26,770	170.51	69.55	59%	15,850
CC364A	191	25,315	132.53	80.25	39%	9,985
Other (123)	7,523	688,995			43%	227,995
Total	10,821	\$1,189,370			49%	\$587,605

Demand Management Savings with Remanufactured Toner Pricing Improvements

Our Experience	Potential UW Demand Mgmt. Savings
15% – 25%	\$680K – \$740K