

Administrative Excellence

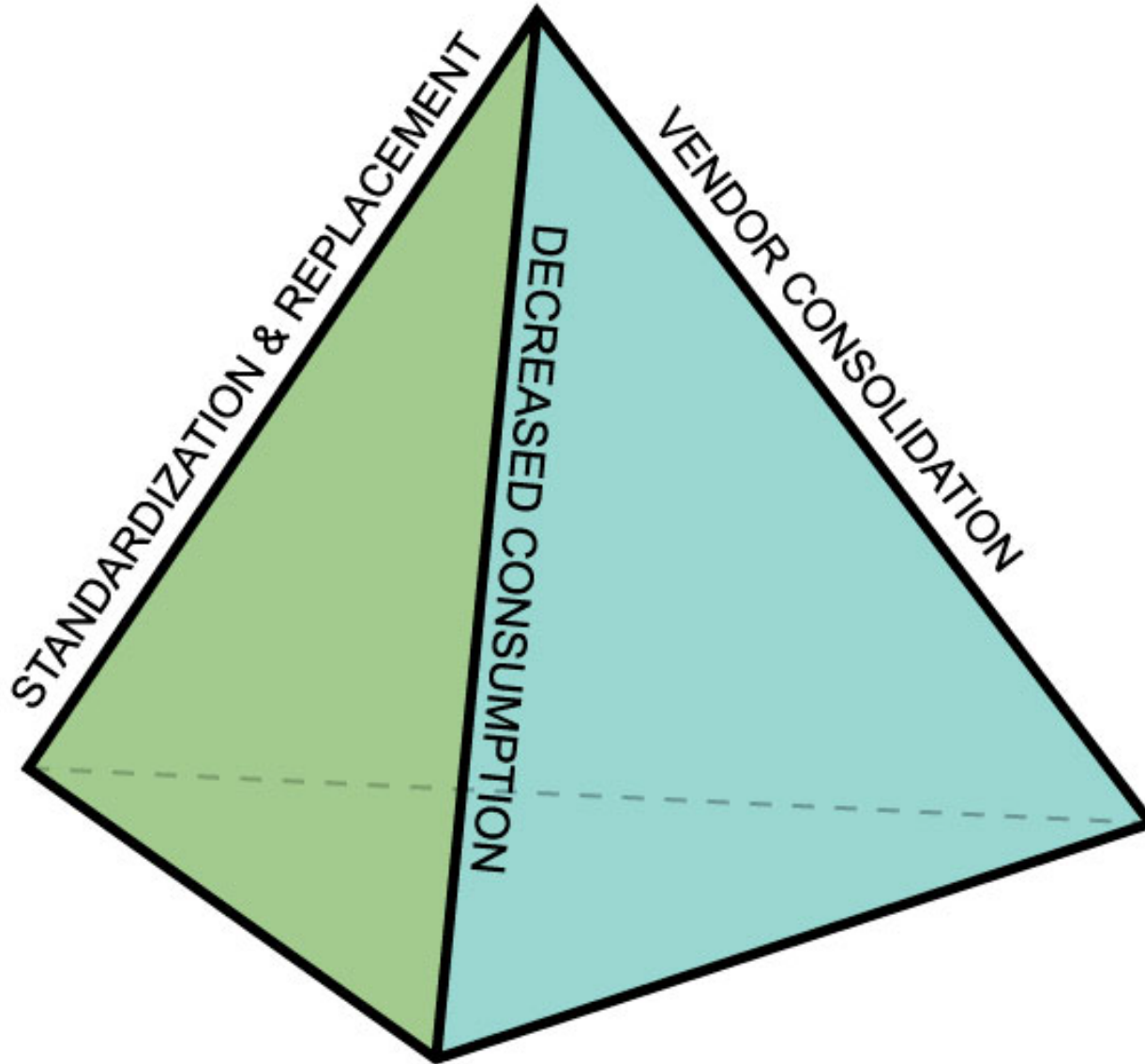
Strategic Purchasing Teams



WISCONSIN
UNIVERSITY OF WISCONSIN-MADISON

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Strategic Purchasing Overview – Value and Efficiency



Goal Statement

Maximize institution-wide savings for scientific supplies through implementation of strategies to consolidate vendors, leverage university scale, and substitute purchases for commoditized options when possible, without sacrificing service or quality levels

Strategic Purchasing – Office Supplies

Project Team Members

Name	Organization
Tammy Starr ¹	Office of Human Resources
Mike Marean	Business Services (MDS)
Don Schwoerer	University Housing
Tammi Simpson	College of Letters & Science
Lisa Leisure	School of Medicine and Public Health
Rachel Fried	School of Business
Jeffrey Lewis	Student Representative
Laura Cox	Huron Consulting Group

Note: (1) Team Lead

Work Team Approach

Data Analysis

- Received line-item data from 5 office supplies vendors
- Cleaned and categorized entire data sets to identify target subcategories
- Performed detailed savings analysis for target subcategories

Stakeholder Engagement

- Created survey with questions around purchasing habits and preferences
- Distributed survey to 1,000 purchasers across campus (100+ responses received)

Recommendations

Current State Observations

- Overarching purchasing policies and processes are not clear to campus users
- Opportunities exist in standardization, vendor consolidation, substitution, and green initiatives
 - Heavy product proliferation exists in all subcategories
 - Most toner purchased is OEM toner and not remanufactured toner

Current State Observations (continued)

- Approximately \$6 million is spent on office supplies each year
- Office supplies purchases are under mandatory contracts with Staples, Unisource, and Cartridge Savers
- Staples is the primary office supplies vendor and an e-commerce vendor
 - MDS e-commerce site has promoted vendor consolidation and low p-card spend

Survey Results

- **Policy environment is confusing to users**
- **Convenience impacts behavior**
 - Most purchasers use the e-commerce site to purchase office supplies
 - Only 40% of survey respondents use P-cards for non-emergency office supplies purchases
- **Green items meet quality standards**
 - 85% of survey respondents are satisfied or neutral in regards to use of remanufactured toner
 - 94% of survey respondents are satisfied or neutral in regards to use of recycled paper

Note: The above mentioned savings options are analyzed further in the team financial model workbook.

Recommendation - Standardization

- Standardize purchasing on preferred items for all office supplies, considering cost, user preference, quality, and sustainability when choosing items
- Examples of preferred items in target subcategories include:

Subcategories	Current State	Future State	Est. Savings
Pens	~800 SKUs of pens	One pen family (9 SKUs)	\$55 K
Notepads	~70 SKUs of legal notepads	One recycled & non-recycled option (2 SKUs)	\$30 K
Binders	~580 SKUs of binders	One binder style in each size (8 SKUs) with various colors	\$45 K
Paper	Several vendors with many SKUs	Two recycled paper options in all colors offered by MDS	\$15 K

- **Total estimated standardization savings is approximately \$550 K**

Note: The above mentioned savings options are analyzed further in the team financial model workbook.

Recommendation - Substitution

- **Currently over 6,000 OEM toner cartridges are purchased annually from the primary office supplies vendor and many can be replaced with remanufactured toner options**
- **Recommendation to substitute all OEM cartridges with remanufactured toner cartridges**
- **~45% savings can be realized from substituting top 50 OEM toner SKUs with OEM toner**
- **Total savings are estimated to be approximately \$330K**

Note: The above mentioned savings options are analyzed further in the team financial model workbook.

Financial Impact of Proposed Solutions

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Recurring Savings	\$883,000	\$909,490	\$936,775	\$964,878	\$993,824
Net Savings/(Costs)	\$883,000	\$909,490	\$936,775	\$964,878	\$993,824

Savings: Year One financial impact will result in estimated savings of ~\$883K; five-year savings will result in approximately \$4.7 million.

Costs: Office supplies recommendations did not determine any unique associated costs. Costs are to be determined by the overall Strategic Purchasing team; resources needed are outlined in the *Strategic Purchasing Appendix*

Note: The above mentioned savings options are analyzed further in the team financial model workbook.

Implementation Considerations

Implementation considerations proposed by the Advisory Committee include:

- **Communication** message is vital
- Onboarding and ongoing **purchasing training** will be important to the success of the recommendations
- **Stakeholder preference** and product quality should continue to be taken into account by the implementation team

Strategic Purchasing – Maintenance, Repair, and Operations (MRO) Supplies

Project Team Members

Name	Organization
Paul Broadhead ¹	Wisconsin Union
Charlie Simonson	Facilities, Planning, and Management
Jodi Krause	University Housing
Kris Ackerbauer	Facilities, Planning, and Management
Bill Miller	University Health Services
Kay Coleman	UW Athletics
Ed Molter	UW Athletics
Steve Heitz	Facilities, Planning, and Management
Vint Quamme	Purchasing Services
Hartley Murray	Purchasing Services
Daniel Statter	Student Representative
Dan Koetke	Administrative Process Redesign
Laura Cox	Huron Consulting Group
Mimi Murley	Huron Consulting Group

Note: (1) Team Lead

Work Team Approach

Due to the complexity and diversity of MRO supplies on campus, the team determined the four target subcategories as paper products, trash liners, lighting, and cleaning chemicals.

Data Analysis

- Requested and received line-item purchasing data for target subcategories from 5 primary units on campus (FP&M, Housing, Union, Athletics, and UHS)
- Performed detailed savings analysis for target subcategories

Stakeholder Engagement

- Created survey with questions around hand towel and trash can preferences
- Distributed survey to faculty, staff, and students

Recommendations

Survey Results

Surveys were distributed to faculty, staff, and students to gauge campus acceptance of proposed high-velocity hand dryer solution versus hand towels.

- **Inside UW survey for faculty and staff found:**
 - 44% of faculty and staff prefer hand towels over hand dryers
 - 42% of faculty and staff prefer high-velocity hand dryers
 - 25% of faculty and staff were somewhat likely to seek out restrooms which still have paper towel dispensers
- **Student survey found:**
 - 63% of students prefer high-velocity hand dryers over paper towels

Recommendations: Standardization

- Recommendation to standardize on preferred items for paper towels, toilet tissue, trash liners, lamps, and cleaning chemicals
- Outline of preferred items in target subcategories include:

Category	Recommendation	Est. Savings
Paper Towels	Natural paper in three sizes	\$18 K
Toilet Tissue	One 1-ply tissue type in three sizes	\$36 K
Trash Liners	One high- and low-density bag in three sizes	\$90 K
Lamps	Select commonly-used lamps by lamp diameter, length, wattage, and color spectrum	<i>See recommendations</i>
Cleaning Chemicals	Metered chemical stations	\$57 K

Note: Savings opportunities are analyzed further in the team financial model

Recommendations: Sustainability Initiatives

Category	Recommendation	Est. Savings
High-Velocity Hand Dryers	Remove paper towels from select high-volume restrooms and replace paper towel dispensers with high-velocity hand dryers <i>Note: Upfront costs of \$170 K are not included in recurring savings</i>	\$9 K
Metered Chemical Stations	<i>See previous slide</i>	

Category	Recommendation	Est. Savings
Coordinated Meetings & Trainings	Establish cross-discipline education and training for all facilities staff and create user groups consisting of supervisors within each MRO discipline (janitorial and maintenance) to organize quarterly meetings, demonstrations, and trainings	\$20 K

Note: Savings opportunities are analyzed further in the team financial model

Financial Impact of Proposed Solutions

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Recurring Savings	\$230 K	\$230 K	\$230 K	\$230 K	\$230 K
Upfront Costs	(\$170 K)	-	-	-	-
Net Savings/(Costs)	\$ 60 K	\$230 K	\$230 K	\$230 K	\$230 K

Savings: Year One financial impact will result in estimated savings of ~\$60 K; five-year savings will result in approximately \$980 K.

Costs:

- Upfront costs (recognized in Year One) of \$170 K for high-velocity hand dryer recommendation
- Other MRO supplies costs are to be determined by the overall Strategic Purchasing team; resources needed are outlined in the *Strategic Purchasing Appendix*

Implementation Considerations

Implementation considerations proposed by the Advisory Committee are as follows:

- Savings outlined in the financial model do not include the positive impacts of potential reduced labor hours and improved safety of workers; ‘soft’ positive impacts should be highlighted in communication plan to campus
- The implementation team should continue to consider the entire UW-Madison environmental footprint by weighing the benefits of reduced costs with the benefits of increased sustainability

Strategic Purchasing – Scientific Supplies

Project Team Members

Name	Title	Division
Mike Hardiman ¹	Director of Purchasing	Business Services
Mike Matschull	IS Bus Auto Senior	Business Services
Janet Bresnahan	Procurement Specialist	Business Services
Kathy Jaglin	Purchasing Agent	WI State Laboratory of Hygiene
Aimee Lefkow	Research Program Manager	College of Letters & Science
Catherine Carter	Associate Information Process Consultant	CALS – GLBRC
Ziqi Dai	Graduate Student Representative	College of Letters & Science
Dana Erf	Project Support	Huron Consulting Group
Mimi Murley	Project Support	Huron Consulting Group

Note: (1) Team Lead

Work Team Approach

Data Analysis

- Line item and core list analysis from Fisher, VWR, BioExpress, and Aestiva/Stockroom
- Internal and external policy and procedure research
- Review and analysis of funding sources for scientific supply purchases
- Performed detailed financial impact analysis

Stakeholder Engagement

- Distributed a survey to ~3,000 individuals comprised of researchers, administrative staff, high-spend MDS customers and P-Card users
- Additional informal information gathering conducted by team members with their respective work groups to understand relevant purchasing processes/policies

Recommendations

Current State Observations

- Varying Departmental Policies and Limited Campus-Wide Communication of Procedure
- Unlimited Choice in Vendor, Product, and Procurement Method
- High Degree of Price Shopping
- 3 e-Commerce Vendors Supported, Many Additional Sales Channels Utilized
- Limited Coordination Between Labs / Departments
- Lack of Knowledge Regarding Contracted Vendors and Related Pricing
- Limited Institutional Promotion of Best Value Products
- Data Availability is Limited
- Current Technology Limits Some Strategic Purchasing Practices

Additional Observations:

- Funding Sources for Purchase of Fisher/VWR Supplies Include Grants (47% = fund 144, 10% = fund 136, 9% = fund 101, 7% = fund 133, 27% = other funds)

Projected Future State

Standardize Institutional Policy/Procedure and Enhanced Campus-Wide Communication

Limit Choice to Substituted Products Meeting Research Specifications from Approved Vendors

Increase Productivity from Streamlined Purchase Processes/Improved Technology

Improve e-Procurement Tool for Access to primary vendors and additional secondary vendors

Increase Coordination for Institutional Resource Stewardship

Enhance Communication of Contracted Vendors and Pricing

Enhance Visibility and Promotion of Best Value Products and Core Lists

Enhance Data Availability to Measure Performance and Spending Habits

Support Strategic Purchasing Efforts with Technology

Projected Financial Impact

**Preliminary Financial Impact Estimate = \$3.9M
over 5 years (~\$493K in Year 1)**

Year 1 Costs = \$165K Upfront, \$510K Recurring

**Year 1 Savings = \$1,168K (\$383K Strategic Purchasing Savings +
\$785K Time/Efficiency Savings)**

Purchase Lower-Price Equivalents – Example

Product Substitution Example: Pipette 10ml 200/case

- Total Fisher & VWR Spend on Pipette 10ml 200/case = \$61,911
- Total Fisher & VWR Quantity = 2,030

Brand Equivalent (Fisher BD Product)	
Total Quantity	2,030
Average Unit Price	\$28.92
New Estimated Total Spend [2,030 x \$28.92]	\$58,708
Estimated Savings [((\$61,911-\$58,708) x 70% Conversion Rate]	\$2,243 (or 4%)

Private Label Equivalent (VWR Private Label Product)	
Total Quantity	2,030
Average Unit Price	\$25.55
New Estimated Total Spend [2,030 x \$25.22]	\$51,867
Estimated Savings [((\$58,708-\$51,867) x 70% Conversion Rate]	\$4,789 (or 8%)

Estimated Pipette 10ml Product Substitution Savings = ~\$7K

Strategic Purchasing – Computer Bundles

Project Team Members

Name	Title	Department
Brian Busby ¹	IS Supervisor	DoIT
Lori Voss	Assistant Director, Strategic Sourcing	Business Services – Purchasing
Brian Kishter	IS Supervisor	DoIT
Eric Giefer	Director, Administrative Computing	Law School
Mike Warren	Associate Director Facilities	Rec Sports
Paul Jelle	Assistant Dean	CALS
Geoff Cohn		Student Representative
Steve Carrola	IS Supervisor	Business Services
Dana Erf	Project Support	Huron Consulting Group

Note: (1) Team Lead

Goal Statement

Identify a suite of no more than four (4) competitively priced standardized desktop and laptop computer bundles with a single vendor for administrative use campus-wide.

Maximize savings through implementation of strategies to consolidate vendors and require an articulated business need for purchase of non-bundle configurations.



Administrative use was a challenge to define, and provided less opportunity for savings. Instead, we recommend bundles broad enough to meet all computer purchases, with individual exceptions for defined business needs

Work Team Approach

Technical / Data Analysis

- Analyzed line items of computer purchasing data for primary and secondary vendor, and high level transactional data for a third vendor
- Researched computer hardware policies/procedures at other institutions
- Performed detailed financial impact analysis

Stakeholder Engagement

- Conducted listening sessions with AIMS, DoIT, and campus IT and Purchasing stakeholders
- Distributed survey to ~1,400 campus IT support staff, purchasers, and end users

Recommendations

Current State Observations

UW-Madison currently spends ~\$8.7M annually on desktop and laptop computers.

- 2 eCommerce vendors supported, multiple unsupported sales channels
- Unlimited product and feature choice
- Few departmental bundles
- No policies
- Some departmental price negotiation
- “My computer”
- Computer choice as reward in lieu of direct compensation

Key Recommendation

The team recommends UW implement a hybrid solution with a primary vendor for computer purchases, and a demonstrated business need required for approval to use the secondary vendor; both vendors will provide a set of 2 desktop and 2 laptop standard configuration bundles.

**Preliminary Savings Estimate =
\$4.3M over 5 Years**

Projected Future State

Current State

2 eCommerce Vendors Supported,
Multiple Unsupported Sales
Channels

Unlimited Product and Feature
Choice

Few Departmental Bundles

No Policies

Some Departmental Price
Negotiation

“My Computer”

Computer Choice as Reward in Lieu
of Direct Compensation



Future State

1 Primary Vendor, 1 Secondary
Vendor for Articulated Business
Need

Limited Choice

Institutional Bundles

Policies

Institutional Negotiation

“UW Computer”

Computer Serves Business Function

Financial Impact of Proposed Solution

Purchase the Right Computer	Pay Less for Computers	Establish Primary Vendor	Keep Computers Longer ¹
Regardless of vendor selected, bundles save money	Focused on price negotiation	Both vendors meet business needs; the primary vendor is less costly	Sensitivity model shows lifecycle has significant impact
Bundles meet majority of users' needs	Leverage vendor relationships	Estimated 20% shift from secondary to primary under recommended policy	No standard lifecycle currently exists on campus
~ 50% of departments already purchase their own bundles	Evaluate standard warranties/purchases in implementation	Savings impact twice as great with secondary vendor than the primary vendor	Area for future policy and savings
~\$305K Annually in Cost Savings	~\$280K Annually in Cost Savings	~\$170K Annually in Cost Savings	~\$250K Annually in Cost Savings <i>**Not included in Team Savings Estimate</i>

Total Year 1 Estimated Financial Impact = ~\$745K

Note: The above mentioned savings options are analyzed further in the team financial model workbook.
 (1) Lifecycle improvement calculations can be included in the financial model; however, the team chose to exclude due to limited data on current lifecycle standards.

Purchase Right Computer – Example

PC desktop bundle w/ monitor

- 2,000 Desktops Purchased Each Year
- Current Average Spend = \$1,000
- New Bundle Cost = \$800
- 50% Participation:
 - 1000 units * \$200 savings/unit = \$200,000 Savings

The more that participate in bundles, the bigger the savings opportunity.

Primary vs. Secondary Comparison – Example

Vendor	Desktop “Leader”	Desktop “Legend”	Laptop “Leader”	Laptop “Legend”
Primary Vendor	\$868	\$524	\$1,214	\$1,299
Secondary Vendor	\$1,268	\$678	\$1,938	\$1,432
Difference	-\$400	-\$154	-\$724	-\$133
80% Secondary Vendor Quantity shifted to Primary Vendor	974	194	746	298
Total Premium	\$389,600	\$29,876	\$540,104	\$39,634

Implementation Considerations

Simple

- Establish institutional mindset that if a computer is needed, a bundle must be used
- Promote unified storefront and policies/procedures

Measured

- Create consistent campus-wide oversight metrics
- Distribute enforcement responsibility across organization

Managed

- Establish Technical Advisory Committee to meet often to review bundles and look toward future opportunities
- Ensure bundles are actively reviewed and refreshed

Implementation Plan

Communication Plan