



Administrative Excellence
UNIVERSITY OF WISCONSIN-MADISON
Shaping our Future

Strategic Purchasing Project

Final Report and Recommendations

March 24, 2014

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**Strategic Purchasing Project
FINAL REPORT AND RECOMMENDATIONS**

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Executive Summary

In an effort to move UW-Madison toward strategic sourcing as the philosophical and practical framework for purchasing products and services, an Administrative Excellence team was formed with leadership from Purchasing Services to implement a “proof of concept” project through four commodity areas (Computer Bundles, Office Supplies, MRO Supplies and Scientific Supplies.) The goal was to demonstrate that cost savings were possible through the application of product standardization and substitution.

As outlined in the following report, cost savings were achieved in the three of the four commodity areas which were undertaken. Almost \$700,000 was saved in the first year by moving campus to one vendor for remanufactured toner, encouraging the purchase of Dell laptops and desktops through negotiated low pricing and standardizing maintenance and repairs products.

Much work remains to move adoption rates toward stated goals, including the development of an articulated strategic sourcing framework and its operationalization within Purchasing Services and across campus. With the support of senior campus leaders, it is expected the new purchasing services director will continue the progress toward an understanding and acceptance of strategic sourcing at UW-Madison.

Project Summary

Project Objective: The objective of the Strategic Purchasing Implementation team was to implement the recommendations of the four Administrative Excellence Phase II Strategic Purchasing teams as approved by the Steering Committee in Spring 2012.

Implementation Goals: To plan, coordinate and deliver the staged implementation of recommendations in a way that drives campus adoption and meets or exceeds the projected financial benefits estimated by the Phase II work teams (*see “Success Metrics” and “Outcomes” below*).

Project Deliverables: Implement the “quick win” recommendations in each of the four commodity areas identified, including each of the following elements:

- Select UW-Preferred products, based on quality and cost savings through standardization and substitution
- Form and launch “standards teams” composed of decentralized campus customers and purchasers to evaluate the mix of UW-Preferred products
- Improve the purchasing experience and communicate these improvements to campus
- Develop and execute measurement and control plans that track critical success metrics over time
- Develop and execute a campus adoption plan that will continue to drive campus purchasing behavior in the direction of the stated adoption goals
- Plan and stage the delivery of longer term solutions, both within the four commodity areas identified as well as additional product categories associated with significant cost savings opportunities

Project Success Metrics:

- Campus adoption of UW-Preferred products
- Cost savings
- Customer satisfaction with UW-Preferred products & the process for purchasing UW-Preferred products

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Project Outcomes - Total Cost Savings Summary

Period of measurement: March 2013 – February 2014

| | Actual (as of Feb 2014) | Target (Q4 FY14) | Remarks |
|---------------------|----------------------------|---------------------|---|
| Office Supplies | \$ 293,000 | \$ 750,000 | The key driver of cost savings has been transitioning campus purchases from original equipment manufacture (OEM) toner to EIS remanufactured toner. |
| Computer Bundles | \$ 393,000 | \$ 742,000 | The key drivers of cost savings primarily came from two primary sources: Successfully negotiated lower prices for UW-Preferred Dells Modest increase in campus adoption of UW-Preferred Dells |
| MRO Supplies | \$ 5,900 | \$ 60,000 | The majority of actual cost savings will not be realized until large existing inventories are consumed and purchases of UW-Preferred products are made. |
| Scientific Supplies | \$ - | \$ 493,000 | Progress made in this area deviated significantly from the intended implementation strategy; actual savings has not been measured. |
| Total | \$ 691,900 | \$ 2,045,000 | |

Project Outcomes – Success Metrics by Commodity: The chart below summarizes the target goals and actual outcomes for each of the above project success metrics only. A detailed description of other significant benefits realized can be found within the in the body of this report within the “Implementation Results” section for each of the four commodity areas.

Period of measurement: March 2013 – February 2014

| | | Office Supplies | Computer Bundles | MRO Supplies | Scientific Supplies |
|---|-------------------------|---|---------------------------------|-----------------|---------------------|
| Campus Adoption | Target (Q4 FY14) | 80% | 80% | 80% | 80% |
| | Actual (as of Feb 2014) | 33% | 60% | 85% | not measured |
| Cost Savings | Target (Q4 FY14) | \$ 750,000 | \$ 742,000 | \$ 60,000 | \$ 493,000 |
| | Actual (as of Feb 2014) | \$ 293,000 | \$ 393,000 | \$ 5,900 | \$ - |
| Customer Satisfaction (products) | Target (Q4 FY14) | not established | not established | not established | not established |
| | Actual (as of Feb 2014) | 14 reman cartridges returned (0.6%) 2 service calls (0.1%) | will be collected in Spring '14 | not measured | not measured |
| Customer Satisfaction (purchasing process) | Target (Q4 FY14) | not established | not established | not established | not established |
| | Actual (as of Feb 2014) | not measured | will be collected in Spring '14 | not measured | not measured |

Implementation Deviations from the Approved Recommendations of the Phase II Work Teams: The implementation work in each of the four commodity areas deviated from the recommendations of the Phase II team in a number of significant ways, generally resulting in reduced overall cost savings (relative to projections) and campus adoption of standardized products significantly lower than projected in three out of four commodity areas.

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- **Office Supplies:** The implementation strategy closely followed that recommended by the Phase II team, but with two significant deviations. First, the Phase II team envisioned a solution in which campus adoption of standard office supplies would be supported by limiting the variety of product choices available. Instead, the team pursued an adoption strategy largely based on promoting “UW-Preferred” products while still availing campus to the same variety of historical product choices. Second, due to a number of challenges related to data collection, success measures for this commodity will be based upon a single product category that represents nearly half of our total spend on office supplies – facsimile and printer toner cartridges. Detailed information on the rationale behind this approach can be found under “Notes on Measurement” in the Office Supplies section of this report.
- **Computer Bundles:** Implementation deviated in two ways. First, the Phase II team recommended that in addition to offering a selection of PC bundles from Dell, two Apple desktop and two Apple laptop bundles should be offered, only to be purchased through an exception management process, backed by policy. After developing a series of models projecting the financial impact of offering Apple bundles, the team did not recommend offering Apple bundles, primarily due to projected erosion in cost savings. Second, the Phase II team recommended that exception management and pre-approval processes, backed by policy, be put in place for campus employees wishing to purchase PCs that are not standard PC bundles. This element was not part of the team’s implementation strategy.
- **Maintenance, Repair, and Operations (MRO) Supplies:** The team rolled out standardized products in three of the five product areas intended, following the planned implementation strategy. While significant work has been completed in the areas of lamps (bulbs) and cleaning chemicals, standards have not yet been rolled out to campus purchasers.
- **Scientific Supplies:** The strategy of selecting best-value products for standardization and substitution and developing institution-level policies and processes to support campus adoption of these products was not implemented. An important foundational step, however, was put in place. Ten vendors of scientific supplies have been enabled on the Shop@UW e-commerce platform, and through a feature called “Shop at the Top,” direct price and product comparisons are accessible to users across six of the ten vendors.

Challenges & Limitations:

- Implementation was rolled out in the absence of a completed and approved UW-Madison Strategic Purchasing Framework. Having this framework in place prior to rollout would have been more effective; it would have enabled the implementation team to firmly anchor and align their strategy, communications and change management activities to the overall philosophy, policies and processes of the University.
- Following Purchasing Services’ recommendation to pursue a strategy based on encouraging decentralized purchasers to buy UW-Preferred products (rather than limiting alternative choices or developing and enforcing restrictive policy) has made it difficult to reach the adoption targets recommended by the Phase II team.
- Implementing strategies based on product substitution and standardization, and promoting and purchasing those products, represented a very significant change in cultural mindset.
- While the parallel implementation of SciQuest (a new e-commerce technology), now internally branded as Shop@UW, has improved the ability of Purchasing Services staff to access and analyze certain campus purchasing data, significant limitations still exist. For example, campus faculty and staff have the ability to use P-Card to bypass the standard purchasing channels of SciQuest and channels associated with contracted vendors not yet available through SciQuest.

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Appendix

Strategic Sourcing - Background

VCFA Strategic Priority of Resource Stewardship

The Strategic Plan for the Office of the Vice Chancellor for Finance and Administration was adopted in 2009 to align the VCFA with the campus Strategic Framework and to support UW-Madison's commitment to campus wide strategic priorities. The goal of the VCFA Strategic Priority of Resource Stewardship is to improve services and clearly demonstrate to campus customers and the public that resources are used responsibly by:

- Improving process efficiencies in order to enhance services and responsiveness to campus customers as well as identify cost savings and improve the institution's financial performance.
- Sharing services across VCFA units and VCFA partners to increase collaboration, reduce redundancy and duplication, and free up resources for reallocation

Purchasing Services

Purchasing Services was identified as one of several areas on campus where there was significant opportunity for supporting the VCFA Strategic Priority of Resource Stewardship. Although no campus strategic sourcing framework was completed, two key elements of strategic sourcing and demand management concepts were identified, consistent with the recommendations of Huron Consulting:

- **Product Standardization:** putting procedures and controls in place that reduce the proliferation of product and service purchases that meet the same need.
- **Product Substitution:** putting procedures and controls in place that transfer purchases of products and services from more expensive options to less expensive options, without sacrificing quality.

Project Background

Brief History of the Administrative Excellence Initiative - Phase I

The Administrative Excellence initiative was officially launched in March 2011. In short, this initiative began with an efficiency and effectiveness review that was researched and prepared by Huron Consulting. The work of the Huron consultants was closely monitored and validated by campus representatives, then integrated into the work of campus teams over the course of project Phases II and III. Phase I was led by Huron consultants, and included a high-level scan of existing data, conducting interviews with representative individuals from each area of study, an assessment of several functional areas, and identifying areas of opportunity for improvement. In April 2011, a plan for the first phase of AE work was put in place. By early May 2011, the AE Steering and Advisory Committees had adopted the AE Phase I plan and committed to following established principles to guide the engagement with the Huron and the broader initiatives of Administrative Excellence. During the summer of 2011, Huron's scan of eight major administrative areas was well under way, including a review of UW-Madison Purchasing Services.

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Administrative Excellence Work Teams – Phase II

The opportunities identified through the work of the Phase I effort were prioritized by the AE Advisory Committee and a set of projects were approved by the AE Steering Committee to move forward into Phase II and communicated across campus. The UW-Madison staff teams that were formed were responsible for identifying additional information and data that was needed, assisting in data gathering, identifying customers and their requirements that are critical to quality, analyzing the data and information that had been collected, identifying and evaluating solution alternatives and finally, recommending solutions to the Advisory and Steering Committees. Four of the initial seven teams were directly related to Purchasing Services.

The AE Strategic Purchasing assessments indicated that the UW-Madison campus has the opportunity to generate significant annual savings in four commodity areas through and institution-wide strategy to consolidate vendors, leverage the university's scale of purchasing, and through the implementation of product standardization and substitution efforts.

- **Office Supplies:** Significant savings will result with the attainment of 80% campus compliance with purchasing standardized, preferred items for all office supplies, and by purchasing lower-cost office supplies serving the same functional purpose without a decrease in product quality. As the university consolidates purchasing of office supplies products, there will be additional opportunities to negotiate better prices for standardized items.
- **Computer Bundles:** The University will negotiate institution-wide pricing for standard desktop and laptop configuration bundles from a primary vendor, with a secondary vendor supplying specific, demonstrated functional needs. Additional savings will be gained by keeping computers longer and enhancing warranty purchasing.
- **Maintenance, Repair, and Operations (MRO) Supplies:** Savings will be achieved by standardizing maintenance, repair and operations commodity (low unit cost, high volume) supplies, and by implementing cost-effective sustainability initiatives.
- **Scientific Supplies:** Savings will be achieved by campus-wide purchasing of lower-priced "UW-identified best value" equivalent commodities and purchasing from fewer vendors. Additional departmental efficiency savings will result from campus-wide coordinated purchasing.

All of the above purchasing changes related to product standardization and substitution needed to be supported by the simplification of business processes to make purchasing of standardized items easier. Additionally, the Phase II team recommended the development of a robust campus-wide Communication Plan that would articulate, among other critical messages, why and how campus intended to shift purchasing behavior toward standardized products (marketed as "UW-Preferred").

The following section describes, in greater detail, the findings and recommendations of the Phase II teams associated with each of these four commodity areas, as well as the rollout strategy, implementation results, and next steps planned.

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Implementation Overview

Office Supplies

Goal Statement: Maximize institution-wide savings through implementation of strategies to consolidate vendors, leverage university scale, standardize and substitute purchases for commoditized options when possible, without sacrificing product quality or service levels.

Work of the Phase II Team:

In January 2012, the AE Steering Committee chartered a team to recommend a solution set that would maximize institution-wide savings on purchases of office supplies through implementation of strategies consistent with those outlined in the above goal statement. The team was asked to develop an understanding of the current drivers and processes relevant to the purchases of office supplies and to use that knowledge to formulate an actionable plan for implementation. The team conducted its work over 16 weeks and presented its recommendations to the AE Advisory and Steering Committees in May 2012, and received Advisory Committee endorsement and Steering Committee approval.

Although office supplies purchases are typically concentrated among a few mandatory contract vendors, product proliferation existed within each sub-category. For example, UW-Madison spent approximately \$100,000 on at least 94 unique SKUs of 1.5-inch binders last year, with unit prices ranging from under \$2 to over \$10. UW-Madison purchased more than 700 different SKUs of pens over 12 months, including 285 SKUs of black pens alone. At the time, only 3% of UW-Madison toner purchases are remanufactured toner. On average, branded toner was at least 30% more expensive than remanufactured toner. In total, the team validated that UW-Madison spent approximately \$6 million on purchases of office supplies in fiscal year 2011.

The team analyzed campus spending and current contracts within targeted office supplies commodity areas to understand the variety of products being purchased, purchase methods, and preferred vendors and reviewed spending on high volume products within targeted commodity areas to understand opportunities for standardization and simplification. An effort to reduce product proliferation of office-related products would not only result in significant direct savings, but it was believed that higher discounts may be achieved for an account of UW-Madison's size if pricing negotiations were possible. The team also recommended increased monitoring of user spending to ensure compliance with purchasing guidelines and industry best practices.

The potential annual savings for office supplies was estimated to be \$470K - \$870K, and would require some added staff time to identify ways to decrease purchase costs and streamline purchasing / delivery processes through consistent campus-wide policies and purchasing methods.

The team also noted that not only the UW-Madison as a whole, but each division and department had the opportunity to realize cost savings, decrease the amount of employee time spent on purchasing activities, all the while supporting the campus green initiative.

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Summary of Phase II Team Assessment and Findings:

- Overarching purchasing policies and processes were not clear to employees purchasing office supplies across campus.
- Opportunities exist in standardization, vendor consolidation, substitution, and green initiatives
 - A heavy product proliferation existed in all product subcategories
 - Most toner purchased was relatively expensive “original equipment manufacturer” (OEM) toner rather than considerable less expensive remanufactured toner

Summary of Phase II Team Recommendations:

- Standardize office supplies, prioritized largely by percentage of university spend on each product category
- Substitute OEM (original equipment manufacturer) toner with remanufactured toner
- Consolidate vendors

Implementation Strategy

The AE Strategic Purchasing Implementation Team, formed in August 2012, was charged with implementing the strategies of the Phase II Team’s recommendations that were approved by the Steering Committee in May 2012.

Product Standardization: Established standardized UW-Preferred items for office supplies, taking into consideration cost, user preference, quality, and sustainability when choosing items. Below are some examples of the items grouped into target subcategories.

Product Substitution: Over 6,000 OEM (Original Equipment Manufacturer) toner cartridges were purchased annually from the primary office supplies vendor (Staples) and most of these could and should be replaced with significantly less expensive remanufactured toner options. It was estimated that a 45% savings could be realized by substituting the top 50 OEM toner SKUs with remanufactured equivalents.

| Target Subcats | 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 |

An office supplies standards team was formed which included representation from various areas of campus, including some of the major campus purchasers of office supplies. The initial goal of the team was to help Purchasing Services meet their Strategic Purchasing goals by analyzing available products in each of seven product categories, and recommending the initial set of items to be designated as UW-Preferred. The team’s analysis included several factors such as price points consistent with cost savings targets, current product popularity on campus, and the results of product quality tests.

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In November 2012, the implementation team launched the first set of UW-Preferred products covering eight product categories, representing 57.2% of UW-Madison's annual spend on office supplies. The campaign included increasing the visibility of UW-Preferred products on the Staples web site and raising campus awareness of the initiative through a broad set of campus communications. The communication plan executed by members of the implementation team included new content for purchasers embedded within the Shop@UW website, a series presentations to audiences such as the Administrative Council, VCFA Directors, and Division Financial Managers, and a series of announcements to other key stakeholders such as Shop@UW account holders.

The office supplies standards team reconvened in the fall of 2013 to assess the current set of UW-Preferred products and identify the next set of office supply product categories. The team reviewed campus purchasing patterns, discussed changes in pricing and vendor relationships, and provided feedback on the quality of current UW-Preferred products. Their analysis led to product standardization recommendations for twelve additional product categories.

In December 2013, the implementation team approved the recommendations of the standards team and launched a broader set of UW-Preferred products, identified 31 best value products in ten additional categories to designate as preferred on Shop@UW. This increased the percentage of University office supplies spend for which UW-Preferred products are available to 68.8%.

Summary of office supplies product categories that include UW-Preferred options:

| Office Supply Category Spend | | | | |
|--------------------------------------|--------------|-------------------------|------------------------|--|
| Shop@UW categories, Mar. – Oct. 2013 | | | | |
| Product Category | Spend | % of Total Spend | % Running Total | Month UW-Preferred Products Announced |
| Printer or facsimile toner | \$ 1,057,764 | 43.9% | 43.9% | Nov '12 |
| Printer or copier paper | \$ 121,877 | 5.1% | 48.9% | |
| Binders | \$ 62,614 | 2.6% | 51.5% | |
| Paper pads or notebooks | \$ 61,488 | 2.5% | 54.0% | |
| Easels or accessories | \$ 22,623 | 0.9% | 55.0% | |
| Ball point pens | \$ 21,299 | 0.9% | 55.9% | |
| Rollerball pens | \$ 17,801 | 0.7% | 56.6% | |
| Multipurpose paper | \$ 13,241 | 0.5% | 57.2% | |
| Folders | \$ 50,061 | 2.1% | 59.2% | Dec '13 |
| Facial tissues | \$ 38,495 | 1.6% | 60.8% | |
| Dry erase boards or accessories | \$ 37,852 | 1.6% | 62.4% | |
| Markers | \$ 27,460 | 1.1% | 63.5% | |
| Self adhesive note paper | \$ 24,382 | 1.0% | 64.5% | |
| Printer labels | \$ 22,985 | 1.0% | 65.5% | |
| Badges or badge holders | \$ 21,971 | 0.9% | 66.4% | |
| Hanging folders or accessories | \$ 14,424 | 0.6% | 67.0% | |
| Tab indexes | \$ 12,795 | 0.5% | 67.5% | |
| Staplers | \$ 10,867 | 0.5% | 68.0% | |
| Desktop trays or organizers | \$ 9,241 | 0.4% | 68.4% | |
| Transparent tape | \$ 9,182 | 0.4% | 68.8% | |

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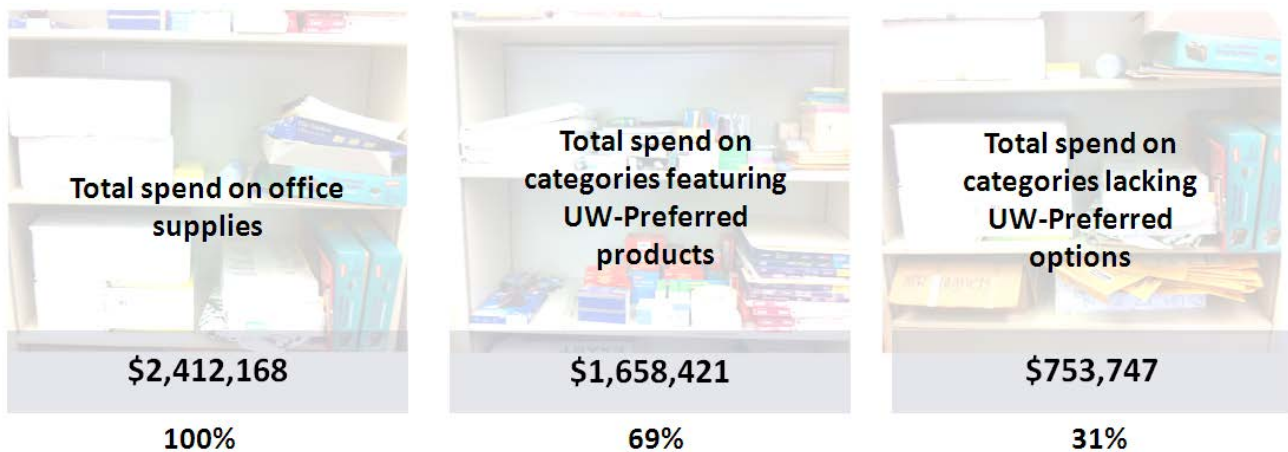
The team's analysis revealed that rapidly diminishing returns would be gained if Purchasing Services were to continue identifying, promoting, and measuring the spend on UW-Preferred products in product categories beyond the 20 already addressed. For example, the 599 spend categories that do not yet have UW-Preferred option only represent approximately 30% of university spend. For this reason, Purchasing Services plans to keep its focus on continuing to steer campus purchasing toward the UW-Preferred products already identified and available.

Implementation Results

Project Success Metrics:

| | | Office Supplies |
|--|-------------------------|---|
| Campus Adoption | Target (Q4 FY14) | 80% |
| | Actual (as of Feb 2014) | 33% |
| Cost Savings | Target (Q4 FY14) | \$ 750,000 |
| | Actual (as of Feb 2014) | \$ 293,000 |
| Customer Satisfaction (products) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | 14 reman cartridges returned (0.6%) 2 service calls (0.1%) |
| Customer Satisfaction (purchasing process) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | not measured |

Summary of Penetration of UW-Preferred Products into the Full Catalog of Office Supplies:



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Additional Outcomes:

- EIS Office Solutions—a MBE-certified vendor for remanufactured toner—was enabled on Shop@UW in September 2013. EIS selection and pricing is significantly better than the previous vendor. Since enablement, cartridges purchased, savings, and adoption rate are all increasing while expenditures remain relatively flat.
- As a “green” product, promoting campus adoption of EIS remanufactured toner is well aligned with the campus green initiative.
- While the specific time-savings benefit has not been measured, it is reasonable to surmise that campus purchasers now spend less time when searching for the most common office supplies for at least two reasons:
 1. Placement of UW-Preferred products at the top of user searches
 2. General improvements in the purchasing process associated to improvements resulting from the new Shop@UW platform

Next Steps for Office Supplies

Continue to Drive Campus Adoption: Purchasing Services will continue to steer campus purchases of office supplies to the UW-Preferred products using the following strategies to meet the target adoption milestones:

| Campus Adoption Plan - Office Supplies | | | | | |
|---|---|--|---|---|--|
| | Q4 FY13 Apr-Jun | Q1 FY14 Jul-Sep | Q2 FY14 Oct-Dec | Q3 FY14 Jan-Mar | Q4 FY14 Apr-Jun |
| Adoption Rate: Target | 30% | 50% | 60% | 70% | 80% |
| Adoption Rate: Actual* | 24% | 30% | 36% | tbd | tbd |
| Strategies to Increase Adoption Rate | <ul style="list-style-type: none"> Continue to bring visibility to UW-Preferred products to campus through various channels identified: FMM, MTAG, Admin Council, VCFA Directors, targeted emails, Purchasing Services web site, APR web site, Inside UW-Madison article, etc... | <ul style="list-style-type: none"> Reconvene the Office Supplies Standards Team to expand the number of product categories that offer UW-Preferred products | <ul style="list-style-type: none"> Distribute Division-specific data on adoption of remanufactured toner to Administrative Council, asking for their help increasing adoption in their units Adjust the Shop@UW interface such that the UW-Preferred office supplies appear first when users search for products UW-Preferred products now available in 12 new product categories Continue driving the communication-based adoption strategies utilized in prior quarters | <ul style="list-style-type: none"> Distribute updated Division-specific data on adoption of remanufactured toner to Administrative Council, asking for their help increasing adoption in their units Increase campus awareness of the apples-to-apples EIS vs. OEM price comparison Consider more aggressive strategies (e.g., do we need to consider some of the more restrictive recommendations of the Phase II Team?) Continue driving the communication-based adoption strategies utilized in prior quarters | <ul style="list-style-type: none"> Consider more aggressive strategies (e.g., do we need to consider some of the more restrictive recommendations of the Phase II Team?) Continue driving the communication-based adoption strategies utilized in prior quarters |
| * Adoption Rate (Actual) reflects campus adoption of remanufactured toner only - see comments below for details regarding this decision | | | | | |

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Notes on Measurement:

Purchasing Services intends to continue measuring and reporting on campus adoption of remanufactured toner only, rather than on all office supplies. This is recommended primarily for three reasons:

1. Toner represents the largest opportunity: Of the 619 product categories under office supplies, this is by far the largest, representing 43.9% (\$1,057,764) of total spend (\$2,412,168). In fact, this single category is larger than the next 50 largest categories combined, which only total an additional 38.3% of spend.
2. The campus adoption metric must be meaningful: Within each product category, the number of individual product SKUs ranges from a few dozen to several hundred. Some product categories (e.g. copier paper or toner) are clearly “commodity” items and it makes good sense to drive campus purchasing behavior toward the UW-Preferred products within this category. Measuring campus adoption of UW-Preferred paper products in this category is therefore meaningful and relatively easy. In most product categories, however, this is not the case. For example, the product category of “folders” contains 562 unique SKUs, and dozens of feature combinations (color, capacity, inside pockets, thickness, size, finish, fasteners, pack size, etc...) justifiably serve a wide variety of uses on campus. In the case of folders, it made sense to designate three specific products as UW-Preferred due to their current usage, low price, and resemblance to “commodity” items:
 - two-pocket red folders, 10 count
 - 3 tab manila folders, 100 count
 - 3-tab heavyweight, 50 count

In the time period analyzed, however, these three items represented 16% of the orders placed in this category. Since there are justifiable business needs to purchase folders with different combinations of features, however, it would not make sense to drive campus adoption to 80% within the folder product category.

3. Balancing Measurement Complexity with Value of the Measure: The sheer complexity of products available in the hundreds of categories similar to “folders” would result in a very time-consuming data collection and reporting process.

Continue to Measure and Publish Success Metrics:

Purchasing Services will continue to measure trends in success metrics such as cost savings, campus adoption, and customer satisfaction as outlined in the “Data Collection Plan – Office Supplies” document. Being the largest driver of cost savings opportunity in the area of office supplies, toner purchasing data will be reported with Division-specific granularity to bring visibility to how individual units are performing. Many business leaders within units have expressed interest in seeing these metrics with regularity as a tool with which to promote adoption within their areas.

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Additional Note on Pending Decision:

Staples was awarded the state's mandatory office supplies contract in January 2014. Purchasing Services and MDS will work with Staples on the new agreement and decide whether the catalog will be hosted or a "punch-out" on Shop@UW, which may have positive impacts for the user search experience and how UW sets UW-Preferred products.

Challenges:

- Printer and facsimile toner constitutes 44% of UW's office supply spend. The other 618 categories individually comprise just 0.00005% to 5.1% of total office supply spend, making it resource intensive to capture cost savings on discreet purchases.
- Despite the savings remanufactured toner offers, some users and departments remain skeptical about product quality.
- It is extremely difficult to measure campus adoption of UW Preferred products in all office supplies product categories in in any meaningful way.

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Computer Bundles

Goal Statement: Maximize institution-wide savings through implementation of strategies to consolidate vendors, leverage university scale, standardize and substitute purchases for commoditized options when possible, without sacrificing product quality or service levels.

Work of the Phase II Team:

In January 2012, the AE Steering Committee chartered a team to identify a suite of no more than four competitively-priced standardized desktop and laptop computer bundles with a single vendor for administrative use campus-wide and to maximize savings through implementation of strategies to consolidate vendors and require an articulated business need for purchase of non-bundle configurations. The team conducted its work over 16 weeks and presented its recommendations to the AE Advisory and Steering Committees in May 2012 and received Advisory Committee endorsement and Steering Committee approval.

UW-Madison spent more than \$8.7M on the purchases of approximately 7,500 desktop and laptop computers in FY2011. There are departments and divisions currently employing bundling practices, but there are no explicit policies requiring the purchase of a bundled computer institutionally. The current bundling that does exist is often not coordinated across departments, but may limit the magnitude of efficiencies recognized, however, sets a clear precedent for bundling. The University Purchasing Department has established relationships with multiple vendors and has multiple channels through which purchases can be made. There is no campus policy in place that requires purchasers to use these vendor relationships and sales channels. There are no clear University-wide standards in place to identify a common set of desktop and laptop computers that would be appropriate for the majority of campus computing. Each of these factors contributes to the current environment in which computer purchases are often driven by individual and personal preference rather than on needs.

IT planning and purchasing is usually decided at the divisional level, which leads to a wide variety of different models/configurations being purchased. Discussions with stakeholders and data analysis identified potential purchase process differences exist across campus. The team concluded that there could be improved purchase efficiency through increased use of more consistent purchasing methods and product configurations leading to reduced pricing variance across campus and pricing/discount improvements resulting from procuring computers through the same vendor/channel.

A review of models and configurations UW-Madison purchased through the Tech Store, MDS, and other channels was used to compare the range of prices UW-Madison paid for various models and configurations and compare the average prices and discounts from list price. The team found that policies and purchasing processes focus on enhancing procurement methods and offering a variety of options for campus purchaser to select from. The UW-Madison computer purchasing is largely concentrated on 6-7 main model types. The analysis of campus desktop and laptop computer purchase spending indicated the opportunity exists to further consolidate offered bundles and direct users to these configurations. There was moderate standardization of desktop models available on the e-Commerce site for user purchase. Even though original configurations may be competitively priced, the user's ability to customize standard configurations can result in significantly higher prices and increased delivery times. Implementation of user consumption guidelines can improve both purchase efficiency and cost

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savings, and help to guide user purchases to negotiated bundles. UW-Madison can better utilize the e-Commerce site to encourage increased use of negotiated computer bundles to capture available savings from negotiated pricing. The campus should also consider implementing purchasing guidelines to drive purchasing to primary suppliers to capture further vendor consolidation savings.

The team recommended that UW-Madison adopt a two-vendor solution, with a clearly-articulated primary vendor for desktop and laptop purchases, and the ability to purchase from a secondary vendor, provided a specific functional need is demonstrated. The University would negotiate pricing with each vendor for two (2) desktop and two (2) laptop standard configuration bundles. These configurations would be selected to meet end-user needs. By following this approach, the team estimated savings of approximately \$4.3 million over five years, with \$745,000 in the first year. To achieve these savings, the team identified the following mechanisms:

- Buying the Right Computer – matching computing specifications to functional need.
- Paying Less for Computers – better ability to negotiate pricing based on institution-wide purchases.
- Establishing Primary Vendor – shifting purchases to the primary vendor.

The team did not quantify, but anticipated additional savings in the following areas:

- Keeping Computers Longer – setting policy around replacement and refresh cycles
- Creating an Institutional Strategy for Warranty Purchases

Implementation Strategy:

With the exception of two key differences, the team generally followed the implementation strategy recommended by the Phase II team and approved by the Steering Committee in the summer of 2012. What follows is a summary of the major steps taken.

The core implementation team oversaw the creation of a standards team coined the “Technical Advisory Committee,” charged with determining the optimal configurations and regularly re-evaluating this set of “UW-Preferred” computer configurations to ensure alignment with evolving needs and emerging technologies. The committee also continues to help Purchasing Services make informed decisions regarding warranty, lifecycle, computing requirements and current technology standards, and also provides technical support during contract negotiations and opportunities.

An initial set of UW-Preferred computer bundles was selected in December 2012 and made available to campus in parallel with the March 2013 release of the new Shop@UW platform utilized by campus purchasers. To support campus adoption, two primary strategies were followed:

- Engineered the Shop@UW interface such that UW-Preferred computer bundles were easier to find and purchase than other options available
- Developed and executed a campus communication plan to build awareness of the initiative, articulate expected behavior (the purchase of bundles over non-bundles unless a critical business need is not met the preferred options), communicate changes in the purchasing process, and share Division-specific purchasing data as appropriate.

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Initial set of UW-Preferred computer bundles, March 2013:

| Device type | Model | Pre-negotiation Price | Negotiated Bundle Price | Cost savings |
|--------------------|-------------------|-----------------------|-------------------------|--------------|
| 14" laptop | Latitude E5430 | \$ 918 | \$ 749 | \$ 169 |
| 15" laptop | Latitude E5530 | \$ 918 | \$ 749 | \$ 169 |
| 12" laptop | Latitude E6230 | \$ 1,189 | \$ 889 | \$ 300 |
| Desktop standard | OptiPlex 7010 DT | \$ 672 | \$ 549 | \$ 123 |
| Desktop Minitower | OptiPlex 7010 MT | \$ 672 | \$ 549 | \$ 123 |
| Desktop Small Form | OptiPlex 7010 SFF | \$ 672 | \$ 549 | \$ 123 |

Two significant recommendations of the Phase II team were not implemented:

1. UW-Preferred computer bundles were only established with a single primary vendor (Dell) rather than with a primary and secondary vendor (Apple).
2. The business case of the Phase II team recommended that campus-level policy be established such that non-bundle purchases would not be permitted without first passing a pre-approval process. It was decided that the initial rollout of computer bundles would include any explicit changes in campus-level policy, but rather communicate that the “expected behavior” is that purchasers should buy UW-Preferred bundles.

Implementation Results:

Project Success Metrics:

| Computer Bundles | | |
|--|-------------------------|---------------------------------|
| Campus Adoption | Target (Q4 FY14) | 80% |
| | Actual (as of Feb 2014) | 60% |
| Cost Savings | Target (Q4 FY14) | \$ 742,000 |
| | Actual (as of Feb 2014) | \$ 393,000 |
| Customer Satisfaction (products) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | will be collected in Spring '14 |
| Customer Satisfaction (purchasing process) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | will be collected in Spring '14 |

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Next Steps for Computer Bundles:

Continue to Drive Campus Adoption: Purchasing Services will continue to steer campus purchases of office supplies toward UW-Preferred computer bundles using the following strategies to meet the target adoption milestones:

| Campus Adoption Plan - Computer Bundles | | | | | |
|--|---|--|---|--|--|
| | Q4 FY13 Apr-Jun | Q1 FY14 Jul-Sep | Q2 FY14 Oct-Dec | Q3 FY14 Jan-Mar | Q4 FY14 Apr-Jun |
| Adoption Rate: Target | 30% | 50% | 60% | 70% | 80% |
| Adoption Rate: Actual | 45% | 35% | 43% | tbd | tbd |
| Strategies to Increase Adoption Rate | <ul style="list-style-type: none"> Introduce "Round One" bundles to campus through various channels: FMM, MTAG, Admin Council, VCFA Directors, targeted emails, Purchasing Services web site, APR web site, Inside UW-Madison article, etc... Adjust the Shop@UW interface such that bundles are featured and found before non-bundle options | <ul style="list-style-type: none"> Distribute division specific data to Administrative Council, asking for their help increasing adoption in their units Updated information on Purchasing Services web site Technical Advisory Committee to review campus feedback & meet with Dell to learn of upcoming opportunities Targeted emails to specific non-adopters with large purchase volume Inside UW article | <ul style="list-style-type: none"> Make adjustments to "Round One" bundle configurations based on initial feedback from non-adopters (i.e., VPRO option, etc...) Develop campus survey to better understand requirements, perceptions, reasons for adoption / non-adoption Continue driving the communication-based adoption strategies utilized in prior quarters | <ul style="list-style-type: none"> Announce "Round Two" set of bundles to campus through web site, presentations, targeted emails Continue driving the communication-based adoption strategies utilized in prior quarters Distribute campus survey Consider more aggressive strategies (e.g., do we need to consider some of the more restrictive recommendations of the Phase II Team?) | <ul style="list-style-type: none"> Process Owner to analyze results of campus survey to identify and execute new strategies for increasing adoption Consider more aggressive strategies (e.g., do we need to consider some of the more restrictive recommendations of the Phase II Team?) Continue driving the communication-based adoption strategies utilized in prior quarters |

Continue to Measure and Publish Success Metrics: Purchasing Services will continue to measure trends in success metrics such as cost savings, campus adoption, and customer satisfaction as outlined in the "Data Collection Plan – Computer Bundles" document. Many of these metrics can be reported with Division-specific granularity which will help bring visibility to how individual units are performing. Many business leaders within units have expressed interest in seeing these metrics with regularity as a tool with which to promote adoption within their areas.

Periodically Reassess UW-Preferred Computer Bundle Configurations:

- Purchasing Services will conduct a survey of decision makers selecting computers for their units, individual computer purchasers, and recipients of a computer, whether their computer was a UW-Preferred bundle or not. The survey will gauge product satisfaction, factors influencing purchasing behavior, and the effectiveness of the program messaging.
- With guidance from the Technical Advisory Committee, Purchasing Services will continuously refresh the selection of UW-Preferred bundles. After each refresh, Purchasing Services / MDS will implement the communication plan to inform potential buyers.

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Challenges:

- Too many computer purchasers continue to forgo potential savings, as there is no mandate for campus customers to purchase the UW-Preferred bundles.
- The team's analysis concluded that offering an Apple UW-Preferred bundle would significantly diminish overall cost savings. Without the availability of this option, however, it is highly unlikely that the target of 80% campus adoption will be reached.
- Other programs continue to exist on campus which steer campus customers toward alternative computer purchases, such as DoIT's "Bascom Platinum" program.
- There is no specific strategy developed with the goal of converting Apple users to becoming Dell users.
- The implementation excluded the creation and rollout of an "exception process" for campus users requesting to purchase a computer that is not a UW-Preferred bundle, as recommended by the Phase II Team.

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Maintenance, Repair and Operations (MRO) Supplies

Goal Statement: Maximize institution-wide savings through implementation of strategies to consolidate vendors, leverage university scale, standardize and substitute purchases for commoditized options when possible, without sacrificing product quality or service levels.

Work of the Phase II Team:

In January 2012, the AE Steering Committee chartered a team to validate the opportunity and deliver recommendations to generate savings by changing practices relating to purchasing Maintenance Repair and Operations (MRO) supplies. The team conducted its work over 18 weeks and presented its recommendations to the AE Advisory and Steering Committees in June 2012, and received Advisory Committee endorsement and Steering Committee approval.

The large majority of MRO items are purchased in small quantities and approximately 370 items were purchased in quantities of 50+ over the twelve months. WW Grainger provided 10,000 plus unique items to over 500 separate UW-Madison customers over the last twelve months. The top ten UW-Madison customers accounted for over 56% of the estimated annual WW Grainer spend. Discounts vary across each item within the category, reinforcing need to optimize discounts. Lamps were the highest-spend subcategory of items purchased by UW-Madison from WW Grainger, and the large majority of lamps were manufactured by General Electric. UW-Madison purchased over 375 SKUs of lamps from WW Grainger. Opportunity may exist to effectively manage and standardize types of lamps purchased across various departments.

The team identified the main purchasers of MRO supplies on campus (FP&M, University Housing, Wisconsin Union, UHS, and Athletics) and selected highly-commoditized (low unit cost, high volume) categories within MRO supplies to analyze purchasing patterns by the selected units.

The target categories were paper products, trash liners, cleaning chemicals, and lighting; purchases in these categories represent approximately 25% of the estimated total annual expenditure on MRO supplies.

The team found that the main facilities units on campus do not regularly communicate with each other. The lack of communication leads to uninformed purchasing decisions, duplication of efforts for training and vendor demonstrations, and inconsistent cleaning and maintenance methods. Although MRO supplies purchases are typically concentrated among a few main facilities units on campus, vendor and product proliferation exists within each category. For example, UW-Madison spent approximately \$330,000 with several vendors on nearly 50 unique SKUs of trash liners, with varying unit prices.

Following surveys and stakeholder discussions, the team found that sustainability was a significant driver of user acceptance and willingness to change.

For the 25% of campus expenditure on MRO supplies that the team reviewed, the university has the opportunity to save approximately \$230,000 per year and \$980,000 over five years, with a one-time, up-front cost of approximately \$170,000, through the following mechanisms:

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1. Product Standardization – Standardize on paper towels, toilet tissue, trash liners, lamps, and cleaning chemicals, considering cost and sustainability
2. Installation of High-Velocity Hand Dryers – Remove paper towels from select high-volume restrooms and replace paper towel dispensers with high-velocity hand dryers
3. Coordinated Meetings and 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

The team did not extrapolate its savings over the full suite of MRO supplies, but additional savings are likely within other commodities in MRO. Additionally, the team did not quantify, anticipated additional savings in pricing negotiations. As the University consolidates purchasing of certain MRO supplies products, it has the opportunity to negotiate better prices for those products.

The team identified two mechanisms to support this change: (1) the simplification of business processes to make purchasing of MRO supplies easier; and (2) the creation of policy to clearly articulate expected behaviors.

Implementation Strategy:

In Spring of 2013 the MRO Standards Team was formed under the guidance of the AE Strategic Purchasing Implementation Team, and began to meet bi-weekly starting in April. Participants in the standards team include all of the major purchasers of MRO supplies on campus, including representation from Housing, the Union, FP&M, University Health Services, and Athletics. Unlike the Office Supplies Standards Team or the Technical Advisory Committee supporting the computer bundles initiative, most of the MRO Standards Team members are either the actual purchasing decision-makers for the units or have a significant degree of influence on purchasing decisions within the areas they represent.

The implementation strategy largely followed the strategy recommended by the Phase II team. In summary, the MRO Standards Team updated current campus purchasing data, then systematically analyzed each of the products recommended for standardization, eventually agreeing upon a reduced number of less expensive, good quality items within each product category. Upon final selection, participants agreed that they would purchase these new standardized items within their units.

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Implementation Results:

Project Success Metrics:

| | | MRO Supplies |
|--|-------------------------|-----------------|
| Campus Adoption | Target (Q4 FY14) | 80% |
| | Actual (as of Feb 2014) | 85% |
| Cost Savings | Target (Q4 FY14) | \$ 60,000 |
| | Actual (as of Feb 2014) | \$ 5,900 |
| Customer Satisfaction (products) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | not measured |
| Customer Satisfaction (purchasing process) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | not measured |

Note on Actual Gains: Unlike in the Office Supplies and Computer Bundles rollouts, MRO supplies had already been purchased in large quantities by a small number of major purchasers. As a result, the majority of actual cost savings in this commodity area will not be realized until after existing product inventories are consumed and new purchases of UW-Preferred MRO products are made. Additionally, actual cost savings reported only includes Oct 2013 – Dec 2013, since data is collected through vendor reports received quarterly. As a result, Jan 2014 – Feb 2014 cost savings data is not reflected in this table.

Additional Outcomes:

- The MRO Team set standards on paper towels, toilet paper, and can liners. The products are available to order from MDS, streamlining ordering, shipping, and storage.
- Environmental benefits - Athletics and Housing replaced 2.7 million square feet of bleached paper towels with a natural, unbleached alternative. Athletics will save an estimated \$3,700 annually.

Summary of MRO Product Standardization Completed:

| Product Category | Reduced # of Product Suppliers | Reduced # of Product SKUs |
|------------------|--------------------------------|---------------------------|
| Toilet Paper | 5 to 2 | 13 to 5 |
| Hand Towels | 5 to 2 | 17 to 4 |
| Trash Can Liners | 4 to 1 | 28 to 9 |

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Next Steps for MRO Supplies:

- **Continue to Expand Product Standardization:** The 80% adoption target was met in December 2013 for MRO product categories in scope of implementation. Having met this target Purchasing Services, in partnership with the MRO Standards Committee, will expand product standardization into additional product categories. The next categories for which significant progress toward standardization has already been made are cleaning chemicals and lamps. Purchasing Services will also look at common purchases across MRO vendors on Shop@UW and identify opportunities to select sources by sub-commodity.
- **Continue to Measure Adoption:** With the help of the MRO Supplies Standards Committee, Purchasing Services will periodically measure campus adoption of the UW-Preferred standard products to ensure that benefits are sustained.

| Campus Adoption Plan - MRO Supplies | | | | | |
|--|---|---|-------------------------------------|--|--------------------|
| | Q4 FY13 Apr-Jun | Q1 FY14 Jul-Sep | Q2 FY14 Oct-Dec | Q3 FY14 Jan-Mar | Q4 FY14 Apr-Jun |
| Adoption Rate: Target | 50% | 70% | 80% | 80% | 80% |
| Adoption Rate: Actual | not measured | not measured | 85% | tbd | tbd |
| Strategies to Increase Adoption Rate | · Bi-weekly meetings of the MRO Standards Committee to build agreement on specific MRO product standards | · MRO Standards Committee to continue meeting monthly to expand the set of UW-Preferred MRO product categories for which standards have been selected and rolled out | 80 % target has been reached | · MRO Standards Committee to continue meeting monthly to expand the set of UW-Preferred MRO product categories for which standard have been selected and rolled out | |

- **Continue to Measure and Publish Success Metrics:** Purchasing Services will continue to measure trends in success metrics such as cost savings, campus adoption, and customer satisfaction as outlined in the “Data Collection Plan – MRO Supplies” document.

Challenges:

- State statutes require UW to purchase can liners through sheltered workshops. Preliminary inquiries suggest UW could save \$75,000 annually by purchasing the products from an alternative vendor.

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Scientific Supplies

Goal Statement: Maximize institution-wide savings through implementation of strategies to consolidate vendors, leverage university scale, standardize and substitute purchases for commoditized options when possible, without sacrificing product quality or service levels.

Work of the Phase II Team:

In January 2012, the AE Steering Committee chartered a team to maximize institution-wide savings on purchases of scientific supplies through implementation of strategies to consolidate vendors, leverage university scale, and substitute purchases for commoditized options when possible, without sacrificing service levels or quality. The team conducted its work over 20 weeks and presented its recommendations to the AE Advisory and Steering Committees in June 2012.

The team identified those scientific supplies that may be commodities to collect and analyze data on those to quantify savings opportunities. The team considered several approaches to identify purchases that are amenable to strategic sourcing and defined scope to include general consumables, chemicals, and other regularly-purchased (defined as at least ten times per year) scientific supplies with a unit cost of \$1,000 or less.

A sampling of contracts shows that high-spend scientific supplies vendors are often covered by multiple UW-Madison contracts, making it difficult for purchasers to identify the source of product pricing. UW-Madison contract information is housed in multiple locations. Contract summaries are posted on the UW Purchasing Services website, while vendor price lists are only available from UW Purchasing Services upon request.

Hundreds of scientific supplies vendors are considered preferred suppliers due to multi-award agreements. Discussions with purchasing agents suggest that most vendors offer more competitive pricing than the stated contract discount. End-user perception is that vendors are less likely to agree to competitive pricing in written contracts due to the State of Wisconsin's 'sunshine' laws. Of the 1,510 CICPC Core List items purchased by UW-Madison during fiscal year 2010, only 189 were purchased in quantities of 100 or above, indicating potential opportunities to optimize core list utilization. One-third of UW-Madison items purchased in quantities of 100 or greater were not covered by the CICPC Core List. Optimization of the Core List to cover UW-Madison actual high spend and high volume items has the potential to generate additional savings opportunities.

The team identified those scientific supplies that may be commodities to collect and analyze data on those to quantify savings opportunities. The team considered several approaches to identify purchases that are amenable to strategic sourcing and defined scope to include general consumables, chemicals, and other regularly-purchased (defined as at least ten times per year) scientific supplies with a unit cost of \$1,000 or less. The team collected commodities data from both the vendor community and campus purchasing units and stockrooms. The team analyzed this data to better understand user purchasing preferences and funding sources most frequently used for the purchase of commoditized scientific supplies, and highlighted four sub-categories for more detailed review: pipettes, petri dishes, flasks, and tubes. In order to quantify savings potential within the four categories, the team analyzed the cost and frequency of purchases within each to identify opportunities to

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substitute current products with lower-cost branded or private label alternatives, of equivalent quality. After identifying potential substitutes, the team calculated the difference between the cost to the institution of current state purchases and a future state in which 70% of purchases would be of a selected lower-cost product. The team then extrapolated a weighted-average savings across the four categories to estimate a savings range across other categories of commoditized scientific supplies.

The team surveyed the current policy environment, both within UW and at peer institutions, to identify what rules might be required to support the team's recommendations and maximize savings. The team's recommendations are sensitive to user-articulated requirements and the team recognized that implementation of any changes should minimize the risk of disrupting research.

UW-Madison spent more than \$9.5 million on purchases of commoditized scientific supplies in calendar year 2011. This expenditure included \$6.1 million with primary vendors included in the scope of the team's analysis. There are no consistent policies within and across divisions and departments that govern the purchase of commoditized scientific supplies. In so far as policies do exist, they are often not regularly and consistently communicated or understood. Even when policy doesn't constrain purchases, limited information is available regarding lowest-price products and negotiated pricing.

No complete source of internal purchase data exists, which required the team to rely on a combination of UW and vendors data to understand university purchase history. This lack of comprehensive data hinders the university's ability to strategically source commoditized scientific supplies. Currently, purchasers have unlimited choice in vendor selection, product choice, and purchasing channel, which results in significant product proliferation. While campus purchasers individually engage in price shopping and product comparisons, limited coordination creates inefficiency and reduces institutional negotiating power for commoditized scientific supplies.

The team identified that approximately 57% of scientific supply purchases, in total, were funded by grants. While cost savings on grants may not directly benefit the institutions' bottom line, the team recognized that improving efficacy of grant spending supports the university's research mission.

The team recommends strategic purchasing strategies be implemented on commoditized scientific supplies. The University has the opportunity to save approximately \$500,000 in the first year, and almost \$4 million over five years, through the following mechanisms:

1. Buy lower-priced equivalent items – substitute current purchases with UW-identified best value equivalents (manufacturer or private label alternatives) that meet the same functional specifications
2. Purchase from fewer vendors
3. Improve communication and policy landscape
4. Simplify purchasing of UW-identified best value products – make it easier to do the right thing for the institution

The team did not quantify, but anticipates significant additional savings in negotiating better prices with primary vendors. In order to ensure that purchasing changes do not negatively impact research, UW-Madison should create a standards team charged with evaluating potential product equivalents and periodically re-evaluating identified alternatives to monitor alignment with evolving campus requirements.

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Below is an outline of the Phase II team's recommendations, grouped into three major categories:

Policy Development / Institutional Procedure Standardization

1. Adopt an institutional policy stating that any University individual needing to purchase scientific supplies must first use the University's e-Commerce platform to do so, unless the required supplies are not available through established e-Commerce vendors. If the products required are not available via e-Commerce, individuals should then use contracted scientific supplies vendors to purchase these supplies.
2. Adopt standardization on institutional purchasing policies and procedures at the department level. As a subset of this solution, it is recommended that departments be provided with concise templates of purchasing procedures that reference institutional policy and contacts.
3. Adopt an institutional policy restricting vendor sales representatives and campus visits that occur without appointment/invitation (vendor visits when invited and/or appointments are made in advance are acceptable).

Strategic Purchasing Initiatives

1. Product substitution: The team researched and identified areas where there are opportunities to suggest less costly alternatives to products currently being purchased.
 - a. Near term:
 - i. Substitute current purchases for the least expensive, equal manufacturer alternative.
 - ii. Substitute current purchases for a significantly less expensive private label alternative.
 - b. Future State: Upon the anticipated success in driving purchasing toward preferred items, as described in the Near Term section above, and with enhanced data collected, further products should be analyzed for substitution options.
2. Core list utilization and optimization.
3. Vendor consolidation.
4. Improved coordination: Cross-lab and cross-departmental coordination and pre-planning of purchases.

"Make it Easy to Do the Right Thing" - leverage technology infrastructure improvements, education, and communication enhancements to enable change on an institutional level.

1. Increase the number of scientific supplies vendors available on the University's e-Commerce platform.
2. Enhance the University's e-Commerce system to allow easy searching for required supplies across all UW prime vendors at once.
3. Make contract pricing readily available and easily accessible and direct users to it.

Implementation Strategy:

More so than the other three commodity areas, the scientific supplies implementation deviated considerably from the solutions recommended by the Phase II team and approved by the AE Steering Committee. In short, the recommended strategy of selecting best-value products for standardization and substitution and developing institution-level policies and processes to support campus adoption of these products was not implemented. An important foundational step, however, was put in place. The implementation of SciQuest enabled the realization of the first two recommendations listed above under the category "Make it Easy to Do the Right Thing." Specifically, ten vendors of scientific supplies have been enabled on

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the Shop@UW e-commerce platform, and through a feature called “Shop at the Top” direct price and product comparisons are accessible to users across six of the ten vendors.

Implementation Results:

Project Success Metrics:

| | | Scientific Supplies |
|--|-------------------------|---------------------|
| Campus Adoption | Target (Q4 FY14) | 80% |
| | Actual (as of Feb 2014) | not measured |
| Cost Savings | Target (Q4 FY14) | \$ 493,000 |
| | Actual (as of Feb 2014) | \$ - |
| Customer Satisfaction (products) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | not measured |
| Customer Satisfaction (purchasing process) | Target (Q4 FY14) | not established |
| | Actual (as of Feb 2014) | not measured |

Additional Outcomes:

- Ten vendors of scientific supplies have been enabled on the Shop@UW e-commerce platform
- Users are able to make direct price and product comparisons across six vendors on the Shop@ UW, availing them to information that helps them identify best-value products
- 52% of consumable spend on scientific supplies is made through e-commerce (based on 3/15/2013 – 12/31/2013 data)
- In FY2014, UW-Madison spent \$412,742 on 1,582 “green” items from scientific supplies vendors on Shop@UW

Next Steps for Scientific Supplies:

- Continue to analyze expenditures on scientific supplies (e-commerce, purchase orders, and P-card) in various commodities to identify cost savings opportunities
- Engage campus lab managers to partner with e-commerce enabled suppliers to Shop@UW, providing guidance for best value consumable lab supply purchases
- Choose a pilot group of labs and arrange for vendors to participate in an on-campus event to sample selected products and promote Shop@UW

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Conclusions & Next Steps for Strategic Purchasing

- Reinvigorate the development of the UW-Madison Strategic Purchasing Framework.
- Although the rollout of UW-Preferred products in three commodity areas took longer than planned and campus adoption remains low in two out of the three, the implementation team successfully demonstrated that product substitution and standardization can and will result in significant cost savings.
- Revisit past strategic decisions that have limited our ability to drive campus adoption of best-value products (e.g., promoting UW-Preferred products versus limiting customer choice, developing stricter compliance policies and developing supporting processes, etc...)
- Broaden the scope of Strategic Sourcing by expanding into new product categories, modifying campus purchasing behavior and aligning the supplier market with the needs and priorities of the university.
- Broaden the mission of the Purchasing Services unit such that staff is not only responsible for negotiating contracts and continuously improving purchasing processes, etc..., but also responsible for promoting strategic sourcing principles and activities across campus.

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Implementation Team Charter

UW-Madison Implementation Charter - Strategic Purchasing

Approved by the Steering Committee August 24, 2012

| | |
|-------------------------------|---|
| Team Name | Strategic Purchasing Implementation Team |
| Executive Sponsors | Chancellor David Ward Provost Paul DeLuca Vice Chancellor for Administration Darrell Bazzell (managing sponsor) |
| Project Sponsors | Alice Gustafson, Administrative Excellence Martha Kerner, Business Services |
| Business Process Owner | UW-Madison Business Services – Purchasing Services |
| Objective | To coordinate the implementation of the recommendations of the four Administrative Excellence Wave 1 strategic purchasing teams (Computer Bundles, Office Supplies, Scientific Supplies and MRO) as approved by the Steering Committee in spring 2012. |
| Goal | To plan, coordinate and deliver the staged implementation of Wave 1 recommendations in consultation with four subteams representing each of the commodity areas from Wave 1. This work will need to be aligned with the new strategic direction outlined in the UW-Madison Purchasing Framework and the installation of new technology (SciQuest). |
| Scope | The scope of work for this project includes: <ul style="list-style-type: none"> Establishing the plan and timeline for the implementation of each commodity recommendation Ensuring the recommendations are implemented on time and in coordination with staff operationalizing the UW-Madison Purchasing Framework and implementing SciQuest. The negotiations of new contracts and or pricing with vendors. Ensuring policy and communication are in place |
| Critical Assumptions | <ul style="list-style-type: none"> Team members and leadership will have the knowledge and skills to be able to contribute to necessary policy requirements, solutions and implementation strategies Team members will be able to dedicate at least one day (8 hours) per week for a concentrated period of approximately 8 weeks, and then lesser amounts of additional time for an estimated period of 3 - 5 months. Wave 1 team members will need to be available to serve in a subteam role and provide background information and assist in delivery and communications. A temporary solution may need to be put in place until a final solution is available through the SciQuest tool. |

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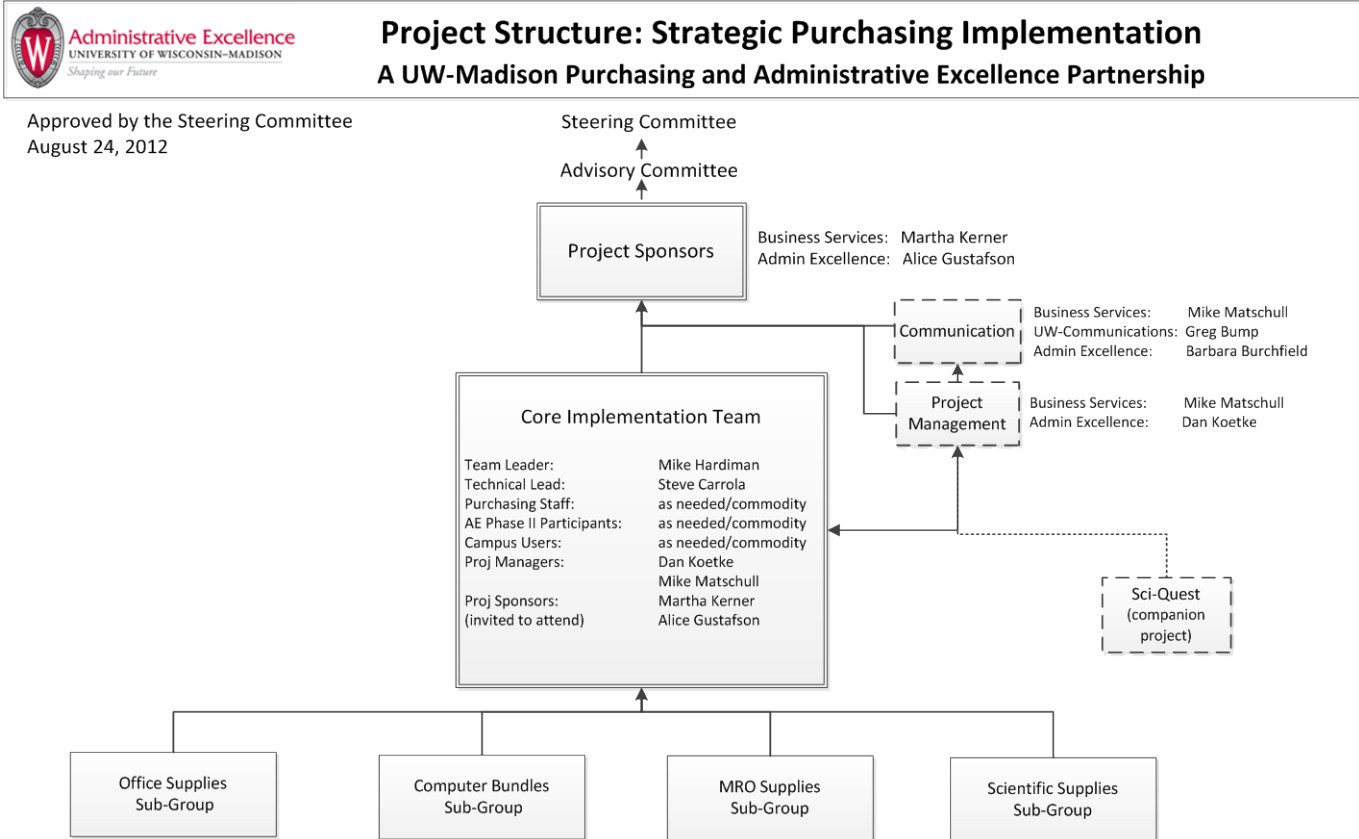
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| Timeline | <ul style="list-style-type: none"> • Weeks 1 to 2 - Hold first team meeting to discuss principles, scope and goals, roles and responsibilities of members, and to confirm the timeline for implementation. Determine staging --which tasks may be quick wins and which will require more implementation steps. Meet with members of AE Wave 1 teams for debrief of recommendations. • Weeks 3 to 4 – Establish subteams if necessary and coordinate first meetings of these groups. Begin to contact vendors and execute quick win solutions. • Weeks 5 to 6 - Coordinate communication and policy changes required for “quick win” changes. Plan for long term solutions and begin to execute. • Weeks 7 to 8 – Determine data required to monitor results. Begin to measure outcomes. • Weeks 9 to 10 – Monitor progress on long term solutions • Weeks 11 to 12 – Present update to AE Advisory Committee and Project Sponsors • Weeks 13 plus – Coordinate efforts with Purchasing staff necessary to sustain and build on changes from initial implementation. |
| Deliverables | <ul style="list-style-type: none"> • Implement quick wins recommendations • Plan and stage the delivery of longer term solutions • Establish reports for monitoring • Policy changes and communication with campus |
| Team Members | <p>Team Leader - Mike Hardiman Technical Lead – Steve Corolla Purchasing Experts / commodity – as needed AE Team Contact / Office Supplies – Tammy Starr AE Team Contact / Computer Bundles – Brian Kishter AE Team Contact / MRO – Paul Broadhead AE Team Contact / Scientific Supplies – Janet Bresnahan Project Manager - Mike Matschull Project Manager- Dan Koetke</p> |

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Strategic Purchasing Project FINAL REPORT AND RECOMMENDATIONS

Implementation Team Structure



Core Implementation Team Members Added:

Brian Hutchinson Manager, Spend Analytics, Purchasing Services
Jim Thompson Business Performance Manager, APR

Communication Team Member Added:

Janet DesChenes Communications Officer, APR

Office Supplies Standards Team Participants:

Andy Richardson
Tammy Starr
Lisa Griesel
Tammi Simpson
Mike Marean

Computer Bundles Technical Advisory Committee:

Lori Voss
Susanne Matschull

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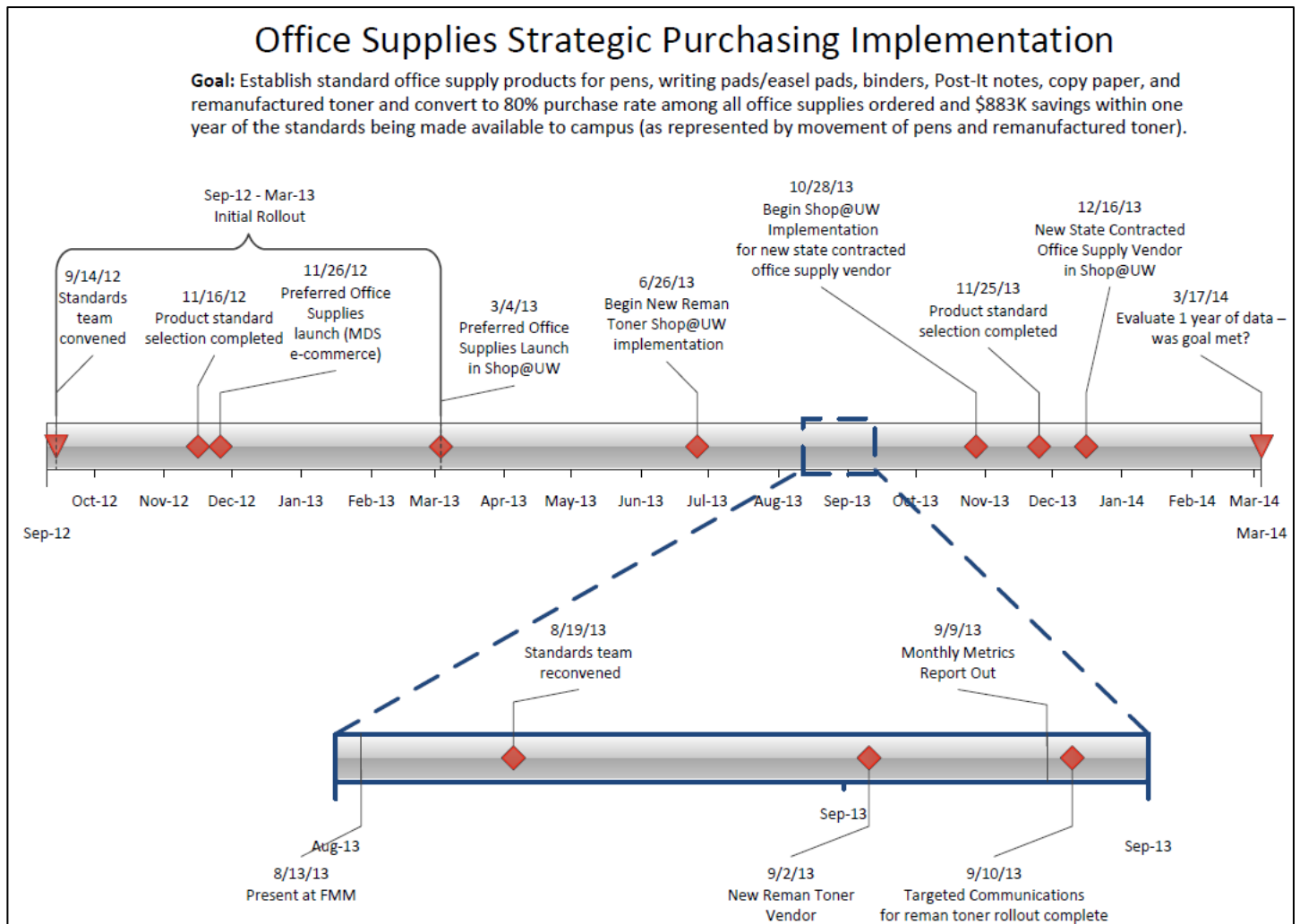
Brian Kishter
James Babb
Eric Giefer
John Hagemann
Sandon Jurowski
Cory Chancellor
Mike Warren

MRO Supplies Standards Team:

Mike Hardiman
Paul Broadhead
Vint Quamme
Kris Ackerbauer
Ed Molter
Steve Heitz
Jodi Krause
Angela Erickson
Mario Barcena
Mike Kinderman

Strategic Purchasing Project FINAL REPORT AND RECOMMENDATIONS

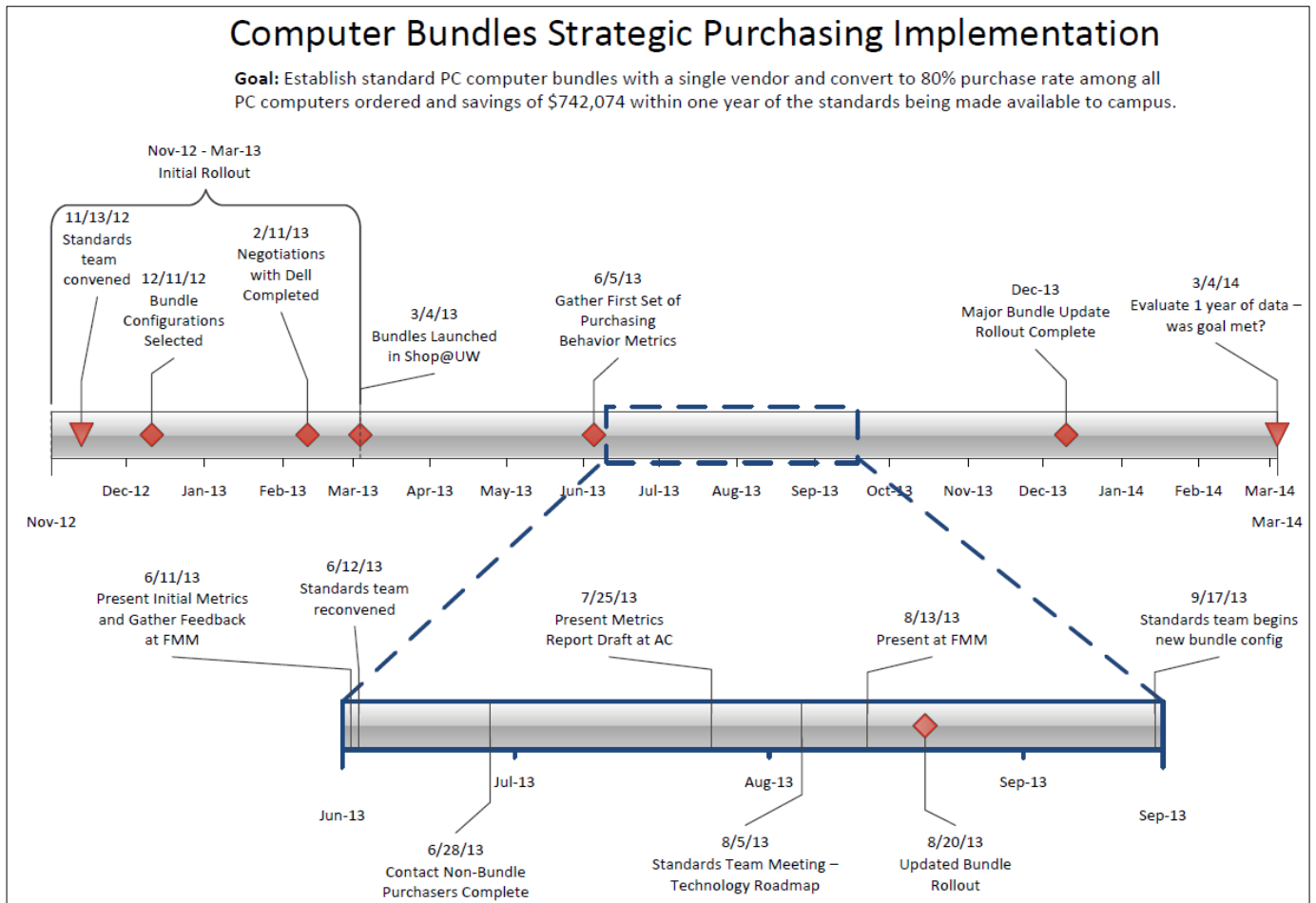
Office Supplies Implementation Timeline (Planned)



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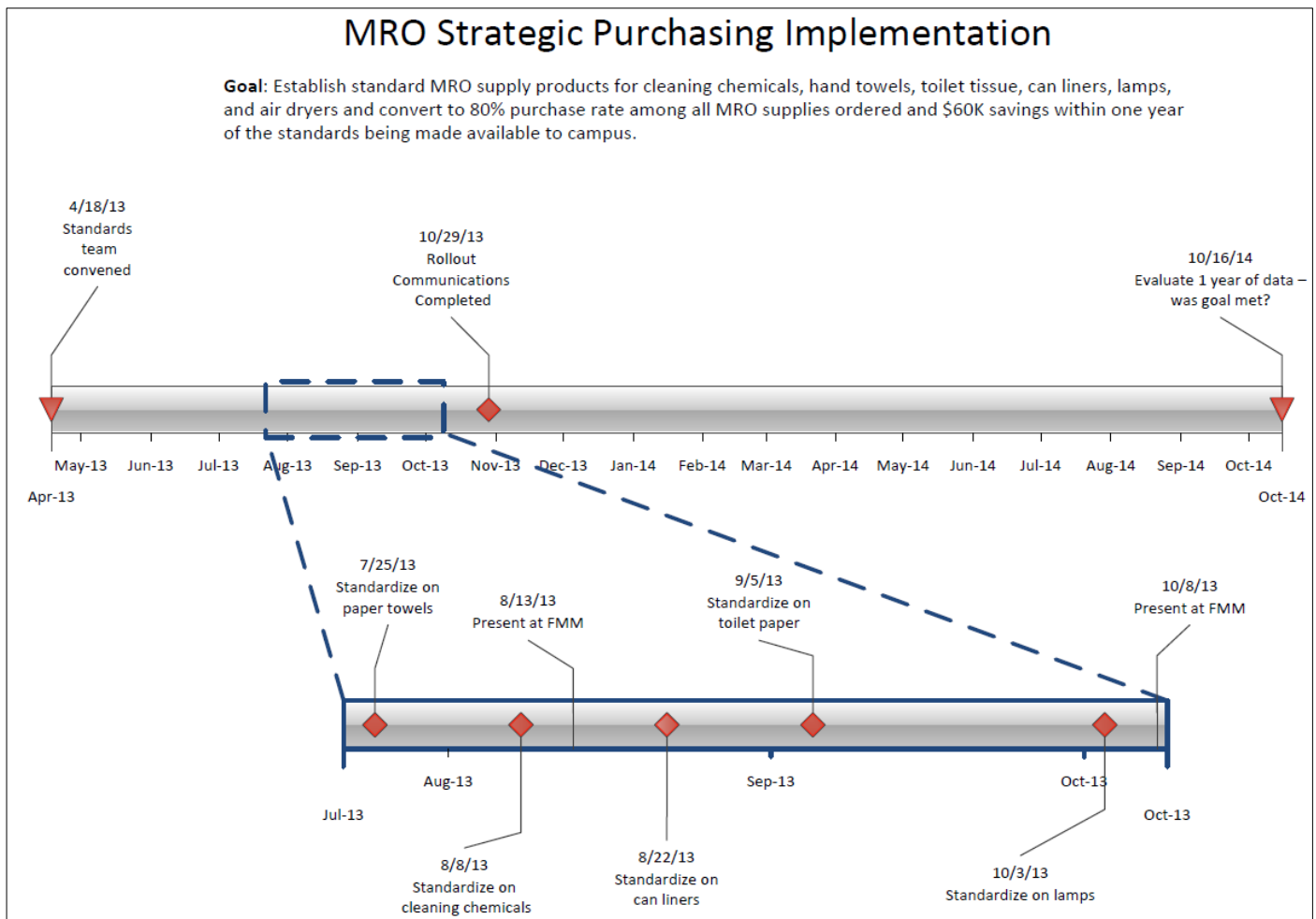
Computer Bundles Implementation Timeline (Planned)



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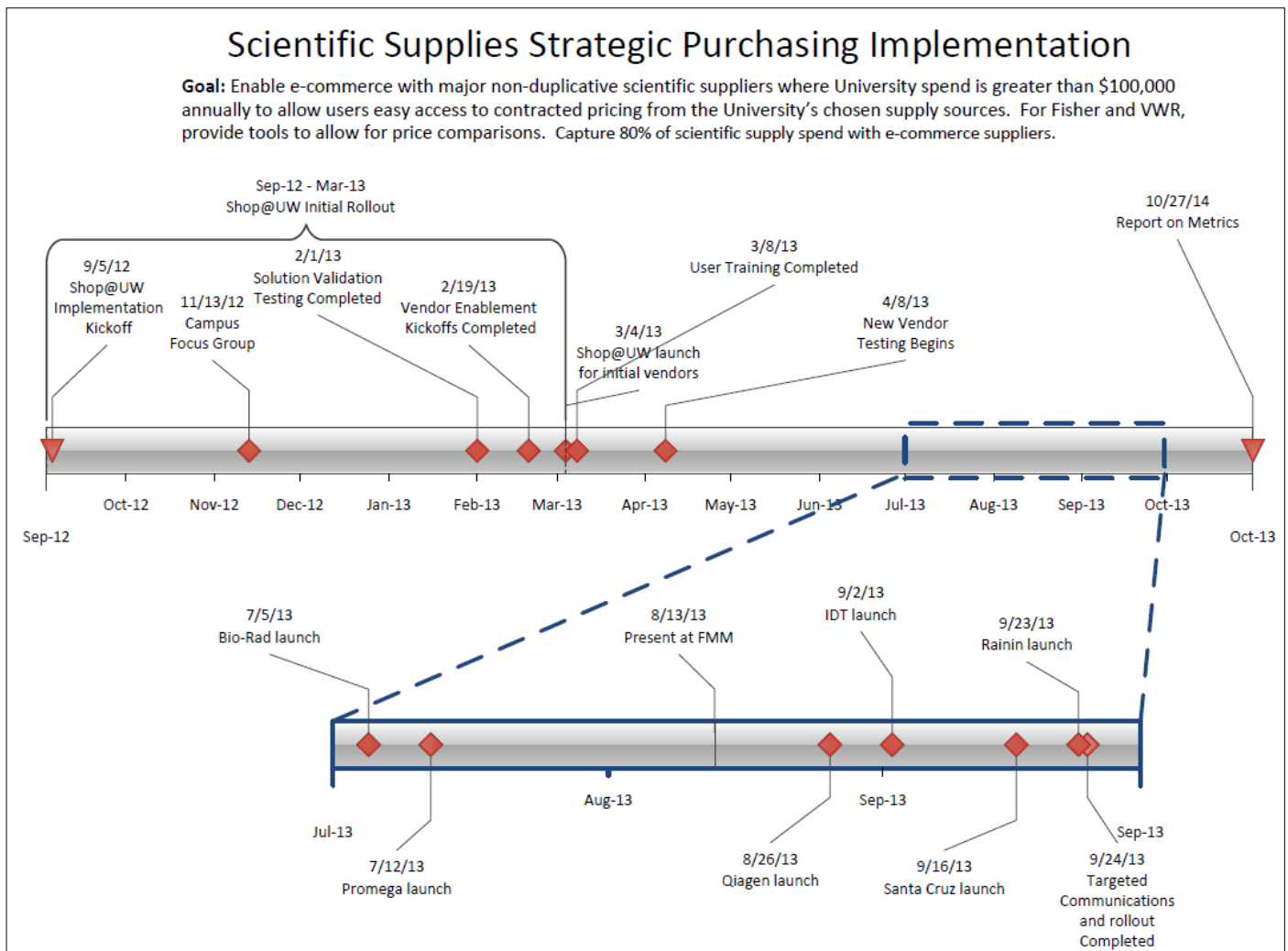
MRO Supplies Implementation Timeline (Planned)



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Scientific Supplies Implementation Timeline (Planned)



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