Administrative Excellence
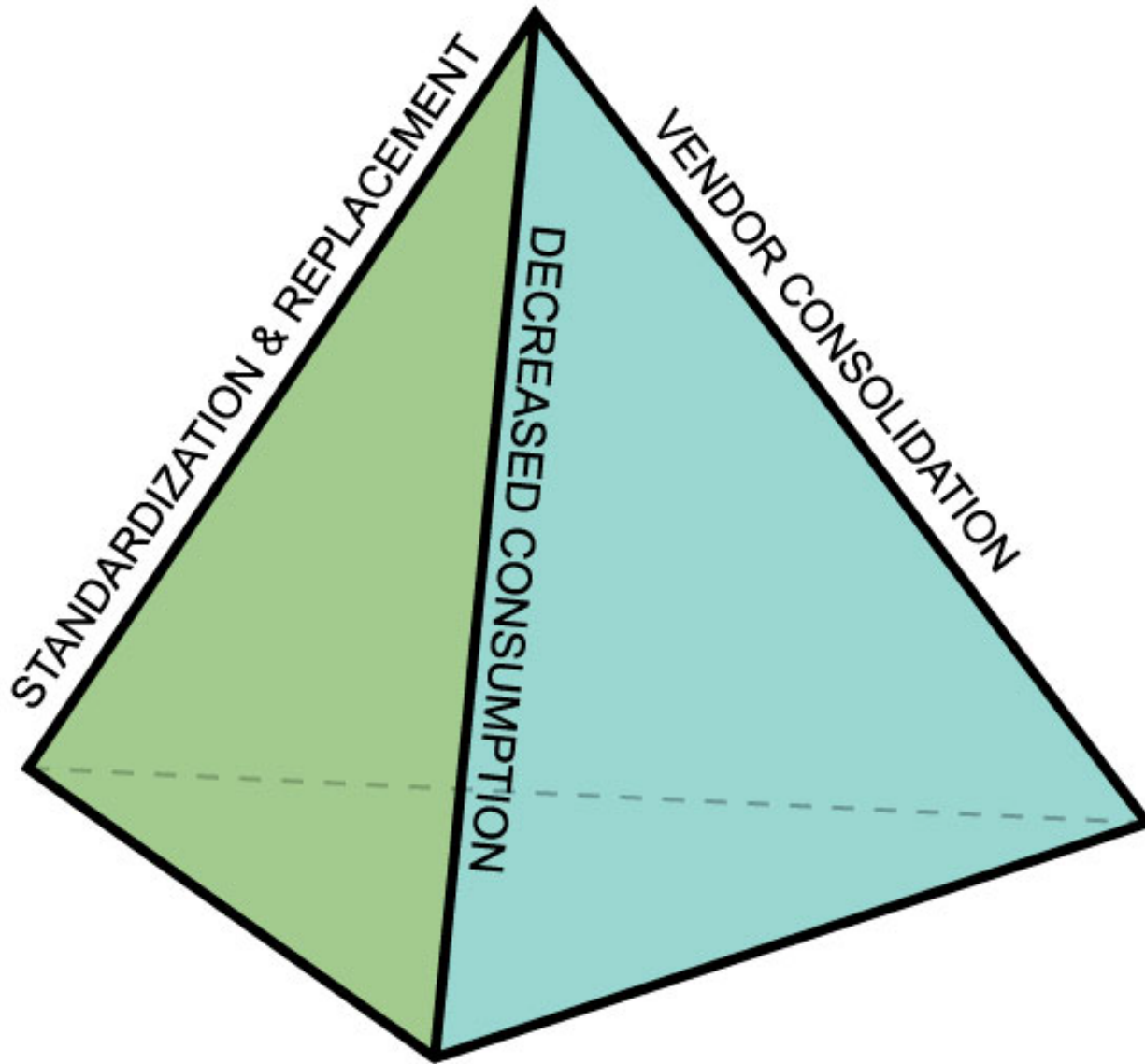## Strategic Purchasing Teams

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Campus Forum June 20, 2012

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

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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

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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.

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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.

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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

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Appendix

Work Team Approach

- **Duration**: 16 Weeks

- **Methodology**:
  - Reviewed data from Huron's phase I work
  - Defined 'office supplies'
  - Researched instances of demand management taking place at other universities
  - Requested, received, and categorized current purchasing data from 5 vendors
  - Picked 5 target subcategories (toner, paper, binders, pens, and notepads – accounting for over half of estimated annual spend) and performed detailed analysis in mini-groups
  - Identified and surveyed stakeholders
  - Created target subcategory recommendation matrices
  - Consolidated matrices and drafted business case and financial model
  - Reviewed, edited, and finalized business case as a team

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Challenges Overcome

Challenge	Resolution
Purchasing recommendations cross all AE Strategic Purchasing work teams and rely upon success and tools of each other	Meeting with other AE Strategic Purchasing team leads and creation of Strategic Purchasing Appendix
Unwieldy scope for 'office supplies'	Defining 'office supplies' and limiting subcategories within our definition
Inability to identify correct 'price per small unit' (i.e. price of one pen) from 'raw' vendor data	Thorough cleaning of line-item vendor data in five target subcategories

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Description of Proposed Solution

Recommendations:

- Standardization of office supplies

- Substitution of OEM toner with remanufactured toner

- Vendor consolidation

- General strategic purchasing recommendations

Alternatives Considered:

- Limit item purchases to under specific dollar amount

- Centralization of ordering to one location

Proposed Solution Risks / Challenges

- **Change management plan** consists of developing a comprehensive communication plan and implementing and updating user trainings

- **Stakeholders impacted**:
  - <u>Internal</u>: Students, Campus IT, MDS, Copy Centers, Faculty (Deans, Department Chairs, Faculty), and Staff (Purchasing Divisions, Purchasing Departments, Requestors, Building Mail Rooms, Business Services, Campus Department Administration)
  - <u>External</u>: Vendor, DOA, State Taxpayers, State of Wisconsin, Grant Sponsors

- **General dependencies** (including technical challenges, required resources, etc.) for all strategic purchasing work teams have been captured in the Strategic Purchasing Appendix; inability to address these dependencies will create significant risks

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Implementation Plan

The implementation plan consists of developing a comprehensive change management plan while considering input from both internal and external stakeholders

Timing / Date	Milestone
Week 1	Identify individuals to be on implementation team
Weeks 2-3	Develop and finalize detailed implementation team plan
Weeks 4-5	Collect and clean data
Weeks 6-9	Analyze data for initial product standardizations and substitutions
Weeks 10-11	Perform quality testing/research and gather user input for suggested items
Weeks 12-13	Set up initial meeting with incumbent vendors to discuss product substitution alternatives, core lists, and vendor capabilities in promoting the use of identified products to campus users
Weeks 14-16	Develop and finalize policy/procedure for purchase of office supplies, "how to" guides, and procedure templates for departmental use
Weeks 17-19	Develop communication plan and change management plan
Week 20	Implementation of proposed recommendations