Introduction

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14 years experience at the University of Illinois

Thrilled to have relocated to Virginia!
Roundtable Discussion Points

1. VASCUPP
2. VHEPC
3. Higher Education Cooperative Sourcing
4. Questions/ Open Discussion
VASCUPP

Virginia Association of State College & University Purchasing Professionals

~ $1.5B annual eVA PO totals

1,200 active contracts

Members have delegated procurement authority

https://vascupp.org/
VHEPC

Virginia Higher Education Procurement Cooperative

The official name for the “procurement consortium” Eric Denby presented on last year at FOCUS.

Includes VASCUPP members & other Virginia Higher Ed schools including the VCCS and 23 community colleges.

Includes members that do not have delegated authority

~ $1.9B annual eVA PO totals
Steps to successful cooperative sourcing

1. Understand cooperative sourcing approaches
2. Determine VHEPC approach
3. Select a proven and experienced leader
4. Implement cooperative strategic sourcing plan
5. Critical Success Factors
6. Action plan for providing value quickly
7. Real world examples
Empirical research has found that cooperative sourcing is more complex than anticipated...

- There is neither a single motivation nor a single collaborative design.

Source: COLLABORATIVE SOURCING – THE MOTIVATION AND DESIGN OF DEMAND SIDE COMBINATIONS
Cooperative Design Types (intensity)

- **Coat-Tail** – Organizations ride on the coat-tail of larger members taking whatever option is provided w/out input or opportunity for modification.

- **Aggregate Demand** – Aggregated Demand and Requirements with separate contracts

- **Joint Management** – Organizations set up a jointly owned intermediary that negotiates on their behalf with suppliers & then manages supplier relationship for common goods/services for all

- **Joint Venture** – Organizations enter into a joint venture with a party from outside the industry who is perceived to have the skill sets necessary to improve activities of interest

- **Joint Operation** – Organizations establish their own service provider to provide common service to all
Three Basic Approaches to Cooperative Sourcing

1. **So long as I do not have to change (Volunteer Model)**
   - Emphasis primarily fixed at the individual member level
   - Ensure individual requirements are not compromised
   - Narrow number of partners

2. **Better in this together (Purchasing Director Led)**
   - Recognize benefits of shared management resources & economies of scale
   - Broader collaboration

3. **Grab a new opportunity (Director Led)**
   - Same as Group 2, but also see opportunity for revenue streams
   - Often a trade off between number of partners and the number of activities
   - Emphasis on continuous improvement
   - If organizations do not have the expertise themselves, they will bring in an external partner
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Identify Opportunities by implementing Strategic Sourcing Plan
Quick Wins

Start with VASCUPP contracts

- Upcoming Renewals
  - Fisher Scientific

- Benchmarking

- Negotiate
  - Leverage Option to Renew with off contract spend
  - Leverage additional volume by extending contracts to VHEPC
Quick Win Opportunity

- Inbound freight management service from Vantage Point Logistics, Inc
  - UVA estimated annual savings $350,000
  - Working with VHEPC schools
  - Please contact me or your purchasing departments for next steps!

Any other quick wins at your schools that could be extended to others?
New Solicitations

Spend Analysis Selection Criteria

- High Dollar Volume
- Multiple Contracts/Vendors
- Homogenous Products/Services

Suggestions from the experts!

- Leadership Council
- Procurement Directors & Staff
- Departmental end-users

Anyone have suggestions for commodities/services?
Critical Success Factors

Three most important Director Needs

1. Senior Management Commitment – clearly articulated
2. Holistic data access and powerful data tools
3. Dedicated procurement staff resources

Member Responsibilities

1. Visible support & communication of VHEPC initiatives
2. Provide timely responses to data requests
3. Share ideas & be involved in the process
My “action plan” for providing value quickly

In the first 30 days

- Build rapport with procurement staff
- Meet with key procurement leaders
- Gain knowledge of VA sourcing processes & environment
- Gather Data
- Begin rigorous spend analysis
- Identify potential quick wins

In the first 60 days

- Continue outreach to all members
- Gain deeper understanding of VHEPC addressable spend
- Begin Strategic Sourcing planning
- Communicate potential sourcing opportunities
- Begin implementing quick wins
Real world examples

Details provided in Email Packet Handouts

 MRO Supplies IPHEC E&I Renewal January 2015 - $200,000 in first year savings
 Office Supplies IPHEC Renewal July 2014 - $400,000 in first year renewal savings
 Office Supplies IPHEC RFP 2010 - Over $1M in First Year Savings

Other Successes

Dell $500,000 UI SciQuest Fee Recovery in FY11

Over $1M in cost avoidance savings for IPHEC

 Price escalation increase rejections and/or negotiations
 Price file errors caught before new pricing implemented
Example of using PPI to avoid a 25% increase
Thank you!

Questions?

Discussion

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