

HES Conference 2005

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Benchmarking for Improving Procurement Performance (RMIT Case Study: Office Supplies)

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Presentation Outline

- Introduction
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 - Strategic Sourcing & Procurement
- Case Study : Office Supplies
 - Context
 - Questions confronted
 - Decision to benchmark
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RMIT University

- 57,000 students.
- Produces some of Australia's most employable graduates.
- Has an excellent reputation for innovative, applied research – that makes a difference to its communities.

Vision

To make a difference through education, research and innovation

Strategic Sourcing & Procurement

- ...to align sourcing & procurement strategically & directly to the imperative of the Organisational priorities.
- Sourcing can be about getting breakthrough results by challenging the status quo, including assumptions about suppliers, and internal inertia.
- Procurement includes participation in planning, supplier management and market intelligence.

Strategic Sourcing & Procurement

- Strategic Sourcing & Procurement (SS&P) at RMIT was formed as a project to effectively commence in May 2003.
- The project was set the specific task to provide savings in strategically addressing sourcing & procurement priorities.
- The sourcing outcomes provided by the project team were substantial
- In September 2004 approval was given for the establishment of Business Unit to ensure ongoing and continued improvement.

Office Supplies

(General Context)

- RMIT has a contract with Corporate Express (CE) as a “Preferred Supplier”
- This has allowed a significant rationalisation of the supplier base and,
- Provided channelled leveraging
- Elimination of need for central store & delivery
- Improved ordering/payment process
- 90% on-line business (NetXpress)

Office Supplies

(Evaluation Context)

- CE has worked with RMIT to add value to the way we do business
- Provided timely management reporting on trends, pricing and potential savings
- Achieved or exceeded service levels in providing pricing based on 'Net delivery cost to desk'

i.e.

We thought we were doing pretty well!

Some questions SS&P confronted

- How do you really know how you are doing?
- Is the only real test of 'market' going to tender?
- How can you address leakage due to pricing?
- How do you justify taking up a contract rollover re. pricing?

SS&P 's decision

Benchmark Office Supplies via Purchasing Index to:

- Verify bottom line performance with this commodity and our supplier
- Identify trends
- Better understand our actual performance in the market including specific baskets and specific line items
- Address leakage & areas to improve

Benchmarking Results

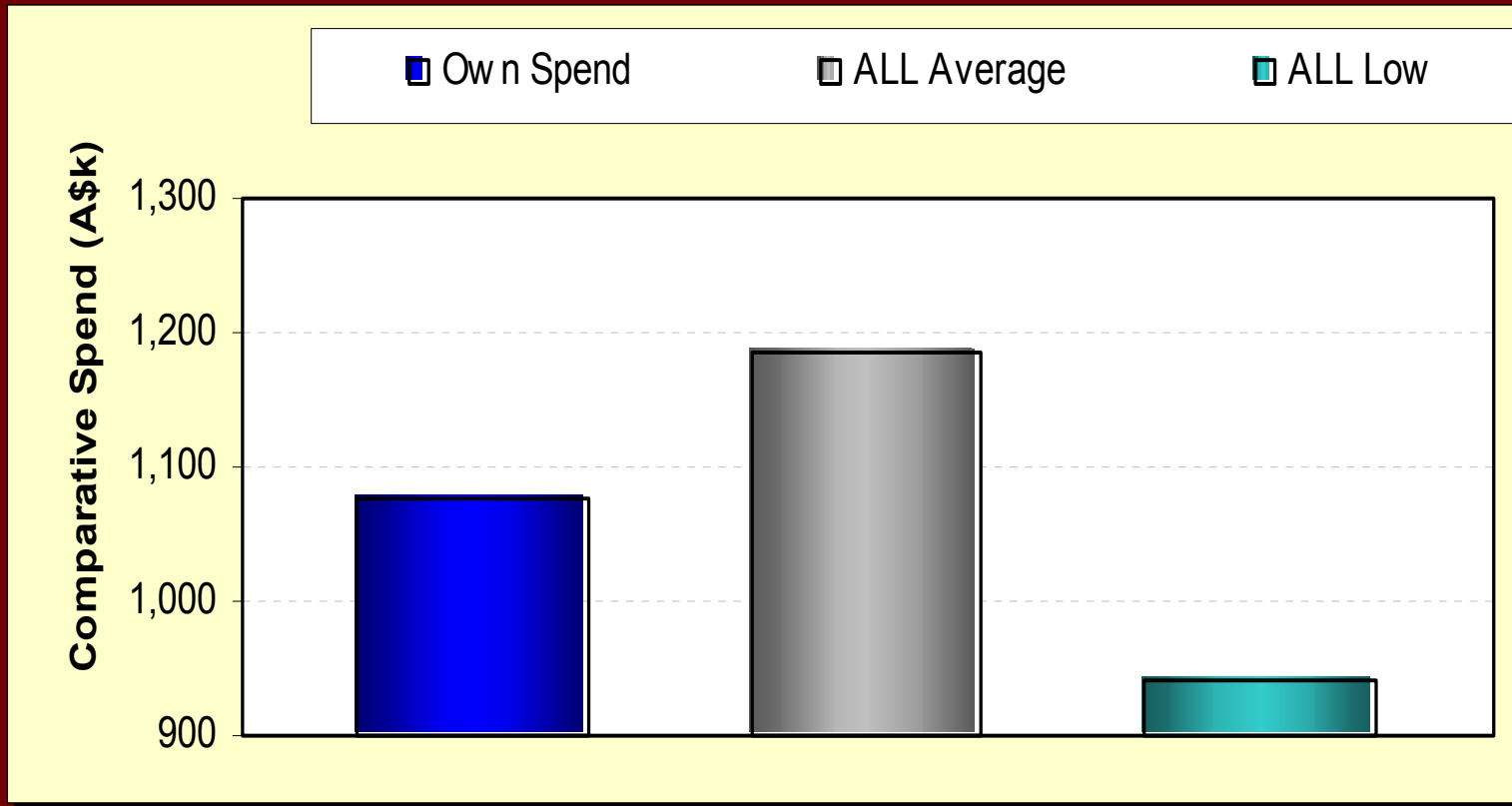
(Snapshot summary, 01 March, 2005)

Key Findings:

- Overall RMIT's spend in Office Supplies is good and above market average
- It is 10.4% better than average prices in the market (all benchmark participants)
- Potential savings opportunities of 1.1% against average prices and 12.5% against lowest prices were identified
- Highlighted potential leakage on toner cartridges
- Paper pricing has anomalies

Benchmarking Results

(Snapshot summary, 01 March, 2005)



10.38% Saving against average spend

12.49% Opportunity against low spend

Benchmarking Results

(Snapshot summary, 01 March, 2005)

10 Highest Spend Items Reported

PI Description
Paper, Laser/Copier, A4, 80gsm, White, Ream
Paper, Laser/Copier, A4, Recycled, 80gsm, White, Ream
Toner Cartridge, For HP LaserJet 8100/8150 Series, High Yield 20000 Page, Black C4182X, Each
Coffee, Instant, Granules, Tin, 1kg
Toner Cartridge, For HP LaserJet 2100/2200 Series, 5000 Page Yield, Black C4096A, Each
Paper, Laser/Copier, A3, 80gsm, White, Ream
Toner Cartridge, For HP LaserJet 4/4M/4+/4M+/5/5N/5M, Double Capacity (as 92298X)
Toner Cartridge, For HP LaserJet 2300 Series, 6000 Page Yield, Black Q2610A, Each
Film, Transparency, For Copiers, Clear, No Backing Sheet, A4, Per 100 Sheets
Marker Pen, Dry-Wipe, Bullet Nib, Coloured, Non-Refillable, Each

Benchmarking Results

(Snapshot summary, 01 March, 2005)

Best Buy

- Paper, Laser/Copier, A4, 80gsm, White Ream. Price was 12.51% below ALL Average, representing a saving based on annual consumption of \$55,732

Worst Buy

- Paper, Laser/Copier, A4, Recycled 80gsm, White Ream. Price was 2.15% above the ALL Average, representing an additional cost based on annual consumption of \$1,488

Benchmarking Results

(Snapshot summary, 01 March, 2005)

Product Group	Annual Savings Opportunities (against ave.) %
Comp. Equipt. & Cons.	10.00%
Filing & Storage	11.72%
Mail Equipt. & Cons.	61.12%
Office Equipt.	21.50%
Office Equipt./Stationery	9.07%
Office Pers. Accessories	-2.93%
Paper Consumables	11.36%
Total Products	10.79%

Outcomes

We now know:

- We can justify performance for this commodity and supplier
- We have a pricing case for 'rollover' if needed
- We can confidently demonstrate savings

We have commenced improving by:

- Addressing leakage
- Initially reviewing paper pricing
- Providing feedback to our clients & supplier