

<b>KPM #12</b>	<b>PROCUREMENT EFFECTIVENESS</b> – Estimated savings resulting from price agreement pricing compared to prices that would be paid without the benefit of a price agreement.	<b>Measure since: 2002</b>
<b>Goal</b>	Efficient and effective government infrastructure	
<b>Oregon Context</b>	Mission: Lead the pursuit of excellence in state government; OBM #35 – Governing Magazines ranking of public management quality	
<b>Data source</b>	Data systems in <b>Procurement Services</b>	
<b>Owner</b>	<b>FY2002 - FY2012:</b> Dianne Lancaster, State Procurement Office, 503-378-3529 <b>FY2013: TBD,</b> Procurement Services, 503-378-6546	

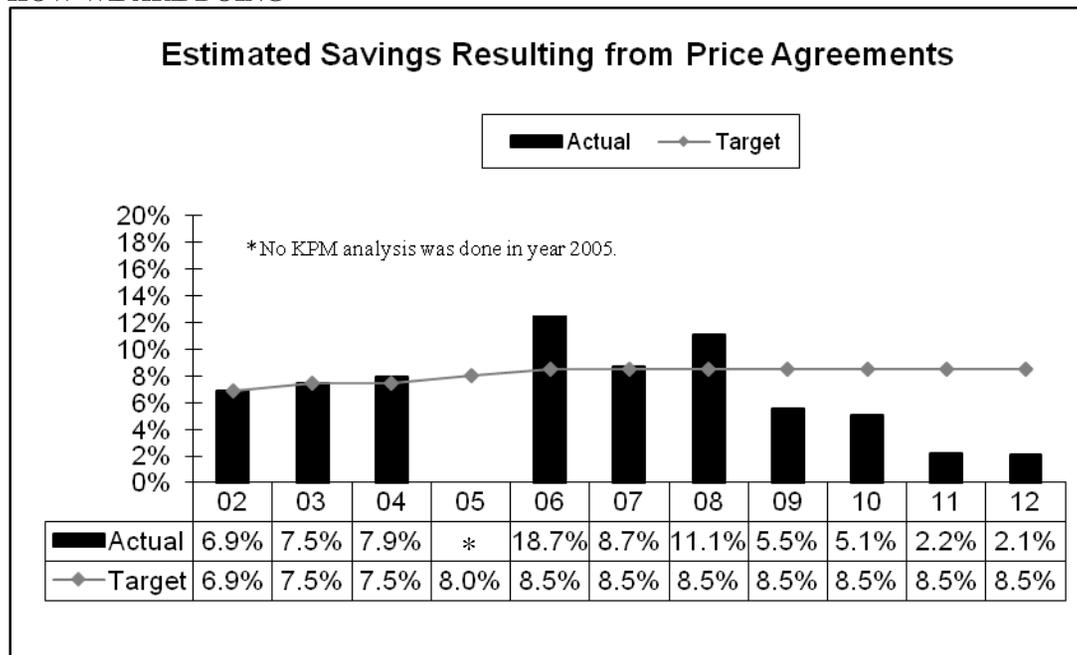
1. **OUR STRATEGY**

The strategy is to contain procurement costs for state government through negotiated price agreements for goods and services commonly used by all state agencies. Over 525 local governments and educational entities also use these agreements as members of the Oregon Cooperative Procurement Program.

2. **ABOUT THE TARGETS**

A composite index of high-use commodities measure cost savings gained through the statewide price agreements compared to equivalent market pricing. DAS sets the annual target. Targets were established that were moderately increasing at first, then reaching a plateau at 8.5%.

3. **HOW WE ARE DOING**



Text highlighted yellow: more significant changes from previous year.

DAS established the index in 2002 and achieved or exceeded the target each year until FY2009 coinciding with the national recession. For FY2006, a savings spike was observed which could be partly attributable to the effects of the Oregon Smart Buy Program, market pricing on the rise while the pricing

structure of existing agreements remained fixed, and high volumes of sales in categories of spend with a high percentage of savings. For FY2007, the savings aligned with the first three years. The savings of 11.1% for FY2008 exceeded target by 2.6%. Four of the five commodities reflected positive savings. Industrial Paper: 29.5%, Vehicles: 12.7%; Office Supplies: 10.2% savings, Computers: 8.5%, Cellular phones ranked last at -.6%. For FY2009, savings were 5.5%, with only PC Hardware exceeding target at 16.5% and the remainder four commodities below 4%. For FY2010, the target composite percentage of savings remained at 8.5%. Total savings percentage achieved was 5.1% or 3.4% below the target.

For FY2010, one category showed markedly increased sales – PC Computers, presumably due to a large number – ten - of price agreements all resulting from solicitation 102-1566-09 and a more streamlined internal transactions process with a more organized sales data capture right from the inception of price agreements. Two categories showed a spend reduction: Vehicles and Office Supplies, the former likely due to a lag in capturing sales data for a multitude of PAs (35+) which was on the rise at the time, the latter likely due to the economic climate. The strength of sales to local governments and educational organizations was still an indicator of Oregon’s competitive pricing for its statewide contracts. Four fifths of the sales of computers were for ORCPPs. Though not part of this analysis, sales of American Disability Act (ADA) vehicles were almost exclusively for ORCPPs.

For FY2011, the composite rate of savings was 2.2%. Two categories had rates of savings at the zero mark: Office Supplies: -0.4%, PCs/printers/server storage: 0.6%. One category is at 3%: Vehicles: 2.9%. One category is surprisingly high: Industrial Paper: 7.5%. None of the categories reached the target of 8.5%. This is not surprising given that of the four categories studied that year, three are participating to WSCA contracts. Spend for these four commodities for CY2010 was \$40.9M, \$1.6M more than the previous year’s analysis.

For FY2012, the composite rate of savings is 2.1%. One category has a rate of savings at the zero mark: PC Hardware: 0.2%. Vehicles is the category with the highest rate of savings: 4.3%. The other figures are intermediate at 1.6% and 3.6% for Office Supplies and Industrial Paper, respectively. A rate of savings for Cell Phones could not be determined due to a) insufficient pricing information relating to the current price agreements; b) a lack of information about what plans Authorized Purchasers (APs) most use that are statistically representative as well as what usage they make on their accounts; c) a difficulty in obtaining apple-to-apple comparisons. Finally suppliers’ current marketing strategies from which to tease out cost information proved too complex to compare with pricing information from still active but aged Price Agreements (PAs). None of the categories came close to reaching the target of 8.5%. Again this year, this is not surprising given that of the four categories with a determined rate of savings, three are participating to WSCA contracts with the exact same suppliers and the exact same price lists with very small exceptions or deviations. Spend for these four commodities for CY2011 was \$39.2M, \$1.7M less than last year’s analysis. Spend for Vehicles was based on CY2010 spend as figures for CY2011 were not updated on time for the analysis. This is state agency spend only; it excludes ORCPP spend.

#### 4. HOW WE COMPARE

A market basket of five commodities - Vehicles, Computers, Office Supplies, Industrial Paper, and Cellular Phones – is annually compared against other state pricing when available (Washington, California, Idaho, Utah, Colorado, Nevada), pricing available under the federal General Services Administration (GSA) agreements, pricing from US Communities, and occasionally pricing from competitors to the existing vendors for the statewide contracts. This is the method SPO has developed in 2002 and has continued to use since then. One change since 2002 has been to increase the samples taken for each category of spend to increase the reliability of the data.

For FY2011, a market basket of four commodities - Vehicles, Computers, Office Supplies, and Industrial Paper - was compared against other state pricing as available (Washington, California, Idaho, Colorado, and Utah). Also, we used pricing information from the federal General Services Administration (GSA) agreements - for Janitorial Supply – however the state cannot procure Janitorial Supply from GSA except for homeland security and emergency preparedness matters. That year did not include occasional pricing from competitors to current vendors for the statewide price agreements. Cellular Phones were disregarded again that year due to resources constraints. With the need to analyze three separate aspects: sales of equipment, sales of new plans and recurring charges on

existing plans, and usage charges on these plans, with incomplete volume sales reports from some suppliers, the analysis was too tedious to undertake within the timeframe desired.

For FY2012, the market basket included all five commodities - Vehicles, Computers, Office Supplies, Industrial Paper, and Cell Phones. Comparisons against other state pricing as available included Washington, California, Idaho, Colorado, Utah, and, exceptionally this year, Texas, New York, Michigan, and Missouri. (The inclusion of these additional states was the result of the availability of additional data obtained in the development of a modified method as an alternate to the current methodology. However it was not applied uniformly: it was used in the analysis for Office Supplies but not for PC Hardware. (This is a lack of consistency which is difficult to maintain on an analysis of this magnitude). Also, we used pricing information from the federal General Services Administration (GSA) agreements - for PC Hardware and Janitorial Supply. However the state cannot procure Janitorial Supply from GSA except for homeland security and emergency preparedness matters. Pricing from US Communities was not obtained this year. Pricing from the National Joint Powers Alliance, a seemingly new kid on the block, was sought but not obtained. The mechanics of this Coop call for contacting the suppliers on contract (as listed on the website) and requesting for pricing that is otherwise not openly accessible and transparent. It's more the beginning of a communication process than a built-in request for quote/pricing process. Retail pricing for competitors was obtained and used for PC Hardware. This year did include an analysis of Cellular Phones but led to no determination of rate of savings for this category.

## 5. FACTORS AFFECTING RESULTS

There are many factors which affect measurement results in each commodity. Some factors are external such as general industrial and economic events and trends. Some factors are internal, such as changes in customer demand and the impact of adding or deleting even a single source of retail pricing to or from the analysis. In reviewing this year's results, we note that none of the four rates of savings obtained met the target comparative percentage of savings of 8.5%. The main factor is the even participation of Oregon and neighboring states in WSCA price agreements whether in response to the current economic climate or because it is the de facto trend. For three of the four commodities analyzed, at a minimum three of the neighbor or western states are participating to the same WSCA price agreements. Advantages over these neighbor states are nullified. Also, as the procurement profession is growing recognition and practices nationally, boundaries between states have shrunk. Optimizing efforts in the current context of reduced government resources have necessitated a leveraging of other states efforts, an increased cooperation with them, and an increased emphasis on volume discounts. With WSCA agreements offering the same or similar pricing to many neighbor states to Oregon, only variations to the administration fee charged by these states remain as differentiators. This difference was again accounted for this year. A most significant differentiator exists in the presence or absence of state or local taxes imposed on the price of goods and services but these have been disregarded in the analysis for consistency of the method from year to year. Including sales or local taxes significantly favors Oregon with no sales or local taxes.

For Vehicles, the information provided by the Contract Administrator was used. This information could not be verified but was taken at face value. A lot of efforts devoted to the concept of Total Cost Ownership are valid but don't translate well with the KPM #12 method. While it is very difficult to influence the forces of the market, generous attempts were made and some proved very fruitful. Last year the state started procuring for current model years vehicles that cost less than they cost a year or two ago and significantly less. Differences in the large array of vehicles each state procures makes it difficult to determine exact savings but a savings rate of 4.3% was determined, a minimal value. Total Cost of Ownership translates in Oregon in a lessening of the administrative burden by reducing or eliminating the need to renew contracts every year due to new model years and the elimination of some segmentation: a price agreement now allows sales for all models of a particular make (Ford for example) rather than through a multitude of separate price agreements. The mechanism behind price structuring by the manufacturer and dealers was parted open and re-renegotiated so as to pass on to authorized purchasers of the state price agreements the full discretionary reduction the manufacturer passes on to its dealers. Also, the structure of the administrative fee was revised so as to not hinder sales, a situation that existed past a certain value for a sale at which point the state was no longer competitive. All these efforts led to a reduction in pricing for vehicles and a lesser cost to generate the price agreements while offering the same array or even more models via fewer price agreements.

## 5.1 In-Depth Analysis - FY2012:

### PC Hardware (PCs, peripherals, printers and server storage):

The two Price Agreements with the most spend were analyzed: PA9758 with Dell and PA9760 with HP. These same two suppliers offer the same deals in neighbor states and only differences in the administrative fee rates create an advantage or disadvantage. In fact, 44 or 45 of the 50 states participate to this NASPO/WSCA agreement which indicates the strength of this WSCA trend. Dell and HP together represented 72% of the annual spend for this category (solicitation 102-1566-09) in CY2011. It was not necessary therefore to include any of the other suppliers of this category/solicitation in the study. The sample of 24 items itself represented 37% of the CY2011 spend for this category.

WSCA/NASPO pricing was found to be primarily from the WSCA/NASPO Premium Savings Packages (PSP) (May – October 2012) hand out accessible from the individual states' websites. Only four matches were found between the 24 items (or 17%) of the sample and the hand out: Dell T3500 (Mid-level Desktop Workstation), Dell Latitude E6420 (Standard Laptop), Dell Latitude E6520 (Desktop Replacement Laptop), Dell Optiplex 990 (Standard Desktop). One might expect a higher number of matches if the PSP represented well the actual items purchased. This might indicate that either the items on the PSP were not selected to represent the need for the state as a whole or that even if chosen carefully, the state in the end buys too large a variety of products and does not respect any policy on configurations preferences it may have published. Better pricing may call for stiffer constraints on available products and configurations. This usually runs counter to customer service aspirations.

Only 5 or 6 of the states are non-NASPO Participating states (Participants). (The accuracy of the map on the AboutWSCA.org website was not verified however.) This confirms an incredible amount of market penetration via the WSCA/NASPO instrument. The expanding collaboration among states, perhaps due in largest part to the economy, is totally visible.

For one item of the sample – Dell Optiplex 990, pricing for eight states was obtained: AL, CA, CO, FL, NC, NY, OR, and UT. For non-NASPO Participants, pricing was higher (\$801) than Oregon (\$733). For NASPO Participants, pricing was slightly lower (\$694) than Oregon. One implication is that some NASPO participants get lower pricing than their counterparts. Florida had pricing of \$539, significantly lower. The resulting national average was \$1 higher than Oregon at \$734. Only pricing data from OR, WA, CA, and ID was used in the KPM #12 analysis. Other states data was not used since they are not neighbor states but this consideration was not applied to the Office Supplies category. Obtained data for ID was inadvertently omitted from the PC Hardware Savings Scoresheet. (See Office Supplies section for a description of this Savings Scoresheet.)

An indirect conclusion from the PSP and the VSRs is this: since all states have the same published PSP (and therefore same pricing), yet states may have and do have a different administrative fee rate than each other, then it follows that the administrative fee rate is either: a) not charged by the supplier of the PSP or b) already included in the pricing in a way that makes it OK (being profitable) on average if not on every individual state which one would assume is the case. The VSR for PA9758 w Dell suggests that the VCAF is taken from their profit since the 1% is charged on the total price and is not included in the price. (It is also possible that it is included in the price but then either the Dell Retail price is wrong or else the VCAF imposed is less than 1% and Dell is willing to pay more VCAF than it has to. This is possible but not suspected). It makes sense that in order to manage publishing one set of pricing for many states, VCAF has to be managed separately. The likeliness is that the pricing is sufficiently high in the first place that a tight application of VCAF (the administration fee) by the supplier is not necessary. Either way, whether VCAF has truly been added to the pricing or is taken from the bottom line, it suggests that Dell is not preoccupied with it. The indicators point to the VCAF being taken from the bottom line. This is absolutely true if their Dell Retail Pricing is exactly as published publicly. The VSR for PA9760 points to the same conclusion as for PA9758: the supplier pays VCAF from its bottom line.

Retail pricing info was also found from 4 sources: Google, Google, Best Buy, and Dell but only used for the PC Hardware Savings Scoresheet.

Dell segments its pricing into: feds, state govt, large enterprise segment, small-to-medium business segment, K-12 segment (best pricing). This means that they have information about all their customers and they control the access into the individual accounts. This is obvious when accessing their websites which require ID of state to get through to information. In other words they decide what pricing to offer to all their segments and the visibility into the pricing of each segment cannot be achieved by any one person alone. Pricing visibility has disappeared.

Despite the reach of the NASPO/WSCA instrument referred to earlier, a commensurate rate of savings could not be concluded. In Oregon alone, the solicitation for this category currently encompasses 15 suppliers/PAs. An assessment of the overlaps of availability of products (or services) under the many PAs was not done. E.g. it was not determined whether actual competition exists for a specific branded product between two or more suppliers. Although this requires much further attention, there is a possibility that the WSCA/NASPO instrument has come to serve a large portion if not the entire PC Hardware market to WSCA/NASPO participating suppliers on a silver platter, without necessarily bringing with it the expected level of discounts that bulk purchasing is expected to command. With so many participating suppliers, everyone may have been given an access into the national state market without actual competition. This needs to be verified as it is unclear if competition is still present among the suppliers after they have become a WSCA/NASPO participant and access to the solicitation documents was not sought from which to determine if some suppliers submitted a proposal but were not awarded a contract. The underlying analyses that should be undertaken to verify the former point would focus on: a) What process does a customer go thru to decide on which product to buy, with an emphasis on whether a comparison is made among the relevant suppliers for this product before purchase – if bulk purchases command better pricing, let's compare against previous pricing before WSCA/NASPO participation; b) What proof of pre- WSCA/NASPO participation pricing exists against which to compare WSCA/NASPO participation pricing; c) Are the suppliers experiencing record or significant profit years in the relevant state government segment without any significant modification of its cost (all costs: manufacturing, transportation, overhead, etc.) for its goods (or services). There may be other aspects that need consideration. The main criterion for this suspicion is visibility into pricing. The supplier has the pricing data for all its markets but the individual buyers in each market don't. Customers are managed by the supplier, not the other way around. As far as HP is concerned, a November 25, 2008 blog @ [http://news.cnet.com/8301-13505\\_3-10107677-16.html](http://news.cnet.com/8301-13505_3-10107677-16.html) covers the issue of price transparency. (I (Research Analyst 3) seem to remember a published Price List available for HP at some point in the past but couldn't find it). While the article includes a discussion stating pricing is available on the HP website, a recent review of HP's current website showed no such access to a common price list. On the other hand, some available links from a Google search of "HP Price List" actually point to WSCA/NASPO pricing – one for CA and one for GSA (info for HP ProLiant BL280c G6 Server Blade was sought and available), perhaps for other states as well. It is unclear whether the indicated "© 2012 HP Development Company, L.P." means that the site is up-to-date. Pp. 26, 42-43 of WSCA MPA #B27164 include information on pricing and audits of pricing. However a cursory review of other ORPIN documents revealed no information on the HP PSS Discount Structure referred to in p. 42 of the MPA. In conclusion, doubts subsist whether participation to NASPO/WSCA deals offer an indisputable avenue for achieving savings for goods and services purchased.

Apart from state pricing data, pricing data was also obtained from five retail sources: Orbit Direct (Optiplex 990 only), and GSA (Optiplex 990 only) for inclusion in the KPM #12 analysis.

As far as the developing Savings Scoresheet for PC Hardware is concerned, other pricing was also found that wasn't included in the KPM #12 study: Shopping.Google.com w info about its own pricing, Shopping.Google.com w info about 67 online stores, LogicBuy, Dell website for federal and state government, Dell website for K12 segment, Dell website for Large Enterprise segment, Dell website for Small Business segment, Dell website for UK Intl Europe Small/Medium Business segment, Fry, Best Buy. A subsequent review of the 2002 Methodology indicated it would have been in line with the methodology to include this retail data. Respecting the actual implementation of the method since 2006 however dictates that retail data is only included for

one or two sources. Changing the way the study is conducted would affect the continuity of the results obtained. The Scoresheet has the advantage of averaging the different segments together and therefore the number of sources of pricing data for any segment doesn't tilt the scale one way or another. Currently, there is pricing data for four states as part of KPM #12 and pricing data from two retail sources and GSA - one source. No data was collected this year from US Communities.

Administrative fees for this category was determined to be as follows: CA: 1.00% (for WSCA contracts), ID: 1.25%, OR: 1.00%, WA: 1.50%. Administrative fees were included in the comparisons favoring the states with lesser rates.

A "Savings Scoresheet" was developed for PC Hardware category similar to the one for Office Supplies but further development was done to the Office Supplies one and so the two are not exactly the same. No final rate of savings was determined during this study on this PC Hardware Savings Scoresheet.

### Office Supplies:

Office Supplies represents the best studied category in this study. It was used to develop a tool that could help Buyers capture and communicate savings data and serve as new methodology. The resulting spreadsheet is arbitrarily called Savings Scoresheet. The rate of savings using the current weight factors of this method is 2.20% whereas the KPM #12 determined a 1.58% rate of savings.

The one Price Agreement with the most spend was analyzed: PA9803 w OfficeMax. This supplier offers the same deals in neighbor states with the exception of Washington and for the most part, only differences in the administrative fee rates create an advantage or disadvantage. Eight of the 50 states participate to this NASPO/WSCA agreement which indicates a relatively weak WSCA/NASPO penetration. (While CA is listed as a WSCA Participant (according to the map), OfficeMax is not a participant supplier for CA; CA's suppliers are National Office Solutions, Inc. for paper and office supplies, and PC Specialists Inc. DBA Technology Integration Group for new toners and cartridges. NASPO/WSCA participation doesn't restrict different suppliers for different states of course.) OfficeMax represented 99% of the annual spend for this category (solicitation 102-1557-09) in CY2011. It was not necessary therefore to include any of the other two suppliers of this category/solicitation in the study. The sample itself represented 18% of the CY2011 spend for this category.

WSCA/NASPO pricing was found to be from the WSCA/NASPO website and from the individual states' websites. Matches of products between price lists and VSRs were not found as discounts per categories are indicated instead of actual pricing. Price visibility is again an issue. Twenty items made up the sample.

As stated, only eight of the states are WSCA/NASPO Participants. (The accuracy of the map on the AboutWSCA.org website was not verified however.) This confirms a low amount of market penetration via the WSCA/NASPO instrument. The expanding collaboration among states, perhaps due in largest part to the economy, is not totally visible for this category.

For most items of the sample, pricing for nine states was obtained: CA, CO, ID, MI, OR, NY, TX, UT and WA. For non-NASPO Participants, pricing for the entire sample of 20 items was higher (\$4,363) than Oregon (\$4,284). For NASPO Participants, pricing was slightly lower (\$4,202) than Oregon. For WSCA states, pricing was to the dollar the same as for Oregon (\$4,284). The national average is less than Oregon (\$4,251). These figures change only slightly when factoring in the administrative fee. There was no apparent price demarcation among NASPO Participants.

NY printer paper is w OfficeMax, Staples and Office Depot whereas copier paper is with other suppliers; equivalent products for toners were not found. TX paper and toners appear to be entirely available thru TIBH Industries offering Jobs for People w Disabilities; no contract w OfficeMax. MI pricing is significantly better than OR for the headset, sizably better for toners/cartridges, marginally worse for paper. For one of the sample items of this category, HP Color Laser CTG (Q5950A), other SKUs exist for this product on PA9803 w different pricing.

Results of a price compliance analysis on 2011-Q3 VSR data should be reviewed carefully as complement to this study. It pointed to out a few observations: it was unknown what mechanism of ordering caused one or the other of two discounts to be engaged and therefore to apply, it indicated many price or category coding errors, it revealed many mismatches in pricing between expected pricing and actual pricing, it did not shed light on source of information for retail pricing for verification. This analysis could be the starting point for further analysis.

No retail pricing info was obtained (other than from VSRs). GSA pricing info was obtained and included even though purchase of GSA items by states is only possible under special programs: ARRA Program, Disaster Relief Program, Environmental Program, AbilityOne Program, Wildland Fire Program, Security Solutions Program. Pricing from US Communities was not obtained this year.

Pricing visibility is better for Office Supplies (than for PC Hardware) but retail pricing remains difficult to verify and compliance has proved elusive in the aforementioned analysis. Pricing from the Catalogue is subject to change as the catalogue gets printed once a year but presumably, its corresponding pricing changes more frequently than that.

The same comment can be made about VCAF inclusion in pricing as for the PC Hardware category: if the price list is the same for all WSCA/NASPO Participants but the administrative fee is different, then this administrative fee is probably not included in the pricing. VSRs for PA9803 on the other hand indicate that the Total Amount for each sale is inclusive of the OR VCAF.

Administrative fees for this category were determined to be as follows: CA: 1.98% (uncertain), CO: 1.00%, ID: 1.25%, MI: 6.00%, MN: 0.50% (uncertain), OR: 2.00%, WA: 1.50%. Administrative fees were included in the comparisons favoring the states with lesser fees.

#### Vehicles:

Vehicles is the only category of the KPM #12 study without WSCA/NASPO participation.

CY2010 annual spend data was used instead of CY2011 spend data; insufficient time was planned to figure the spend out even if fewer PAs now contain the spend data. There is no data as to how spend is broken down by suppliers for the vehicles of the study.

All figures used for this year's results were provided by the Contract Administrator for the category. No verification for the figures was obtained. Pricing information for vehicles other than those provided by the Contract Administrator was also sought and obtained. Unfortunately, no pricing for Oregon was obtained to expand the study beyond the figures provided. The figures provided are for Washington, Utah, and Missouri. Pricing for California, Idaho, Oregon dealerships and GSA was occasionally obtained but without pricing information for Oregon. PA3191 literature was not consulted for the analysis.

A significant disadvantage for comparison for this category is the lack of information in the suppliers' VSRs. The VSRs don't separate base price from total price with all options included. Also, ORPIN data no longer lists all prices corresponding to all models and configurations for a vehicle. Determining what

exact vehicle and configuration from that vehicle is impossible without other sources of information. While the administrative fee is now charged on the total sale price (compared to before CY2011), there is still a need to have VSRs include the order code for a vehicle that uniquely describes the vehicle with a unique price tag. A web research for a reference document to “vehicle order codes” did not return any definitive source for the information in accordance to some government regulation. Still some neighbor states pricing documents refer to the same order codes and there is obviously a standard somewhere out there in the vehicle industry.

It was not verified if an administrative fee as included in the figures provided. Similarly, it was not verified if sales taxes were included in the figures provided for the states having a sales tax. Washington has sales tax of 8.2% which includes a 0.3% vehicle tax.

Information was requested online from Oregon dealers for many of the common vehicles of the sample but require a follow-up interaction by phone or e-mail or internet and time lacked to do the proper follow-up. Only two figures were obtained but were not included since no pricing information was found as to the pricing from the statewide PAs.

#### Janitorial Supply (Industrial Paper):

The two Price Agreements with the most spend were analyzed: PA9752 with Staples (formerly Coastwide Lab), and PA9745 with Waxie Sanitary Supply. The same suppliers offer the same deals in neighbor states and only differences in the administrative fee rates create an advantage or disadvantage. Only six states participate to the WSCA PA: CA, CO, OR, NV, UT, and WA (all WSCA states). (The accuracy of the map on the AboutWSCA.org website was not verified however.) Pricing was also obtained for ID, a WSCA but non-Participant, and from GSA. CA and CO, WSCA Participants, actually did not have a contract w Staples. ID also didn't contract with Staples; it didn't contract with Waxie either.

Staples and Waxie together represented 100% of the annual spend for this category (solicitation 102-1566-09) in CY2011. It was not necessary therefore to include Mt Hood Solutions pricing data in the study. The sample itself represented 25% of the CY2011 spend for this category.

Fifteen items made up the sample. The price for all 15 items combined was: \$517 for Oregon, \$526 for WSCA states, \$526 for WSCA/NASPO states, \$538 for independent states, and \$531 nationally. Only four of the items were non Industrial Paper items. This represents a slight departure from previous years' method which attempted to price only Industrial Paper items. The Industrial Paper category lends itself to equivalent products. In the apple-to-apple comparison, two different manufacturers can offer two products one can consider to be the same, with the same specs.

WSCA/NASPO pricing was found on the WSCA website ([www.aboutWSCA.org](http://www.aboutWSCA.org)) and each state's website. Idaho had higher pricing, and GSA pricing was found for some items which favored results for Oregon. GSA pricing is a ceiling price however and GSA cannot be used for purchasing this commodity with the exception of purchases in support of the following programs: ARRA Program, Disaster Relief Program, Environmental Program, AbilityOne Program, Wildland Fire Program, Security Solutions Program.

For Janitorial Supply, the administrative fee is 1.00% for all states analyzed except Washington. For Washington, conflicting information has not been resolved: one work note says 1.50% (including a management fee) and one work note says no fee, hence requiring additional research.

#### Cell Phones (Wireless)

For C2011, the spend among the PAs/suppliers was distributed as so: PA7552 with Verizon: 42%; PA7557 with Sprint/Nextel: 37%; PA7581 with AT&T mobility: 21%; PA8622 w T-Mobile: less than 1%. This information was inconsequential as VSRs for the respective PAs don't contain sufficient data to determine what products are most purchased by the state. While spend data may be available for each state customer individually, no aggregation of the data takes place or is forwarded to the Research Analyst other than via the VSRs with very incomplete information.

Three components to consider in relation to this category make the work of comparing already difficult: equipment, plans, and usage charges. Compounding the issue in this category is a systematic lack of transparency in pricing information w three related factors at play: 1) many products show a discount applicable to a pricing that is invisible and not accessible, applicable to bundling of products and plans that are morphing, 2) the boundaries around the voice and data plans are vanishing and consequently the units of measure for the plans are changing, 3) With ever increasing memory and features (applications) available on a phone and distinctions between the equipment (e.g. phone vs Smartphone), again the determination of adequate units of measure (UOM) against which to compare is very difficult.

Eight sample plans were analyzed and prices obtained for them but it was not possible to transcribe the results in the usual worksheet with all of the data in the timeframe for the study. Hence no rate of savings was determined for this category.

On a philosophical level, it is hard to justify why a \$/minute charge can still apply on voice plans when all data is now digital, measurable in data flows of bits/second or data sizes of MBs, GBs or even TBs. In other words, lack of transparency of data may contribute to a potential duplication or an optimization of charges by the suppliers: again, what is so special about telecommunications that two units of measure should apply simultaneously: duration of usage (in minutes) and sizes of data streams (in MBs/GBs/etc.)? For example, Verizon Wireless currently offers what it markets as Share Everything Plans, one of which goes like this:

2 Smartphones (\$40/month each)	\$80/month line access
1 Basic Phone (\$30/month each)	+\$30/month line access
4 GB Shared Data w Unlimited Talk & Text	+\$70/month account access
Total	\$180 monthly access

How does one compare this \$180 against any other plan? An adequate UOM to use for comparing this plan against another supplier's plan could be: \$ per month per phone (any type) per line (access) per GB of stored data per max amount of monthly talk per max amount of monthly texts. Explanations: A) It is unknown what is measured by the supplier when calling blocks of data as shared data. Does it refer to streams of data crossing some physical interface between the different users on the same plan, or does it include data that resides idle in some memory location without crossing physical boundaries? When comparing to former phone bills with numbers called identified and the time and duration of the calls spelled out, what's now actually logged and reported on a bill when an app of 3.2GB is shared among two users on the same plan or across plans at a given time of the day on a given day of the month? B) What makes a specific type of phone a Smartphone and what will the differences be next year between the two, and why does it matter? C) If a competitor offers only 10,000 free texts instead of unlimited texting for the same price, is that a better or worse deal? D) If data is measured by KBs/GBs/TBs, then why is the number of texts (number of separate communication) relevant as this appears to be double charging, charging on quantity of data the texts represent and charging on the number of them? E) Similarly to C, what is the limit of duration of talk covered by Unlimited Talk? One never reaches "unlimited" but an actual upper limit that is conveniently referred to as "unlimited" is obviously reached at some point. F) What if a competitor offers 10,000 free minutes of talk in the month for the same price; is that a better or worse deal? Therefore an upper limit should be defined for Unlimited Talk/Text. G) What constitutes an access or a line and why does one have to pay per access line if it doesn't represent a physical reality of some sort (perhaps it does; if one physical cable represented one access line in the days of analog phone line technology and two physical cables represented two access lines, then how many access lines is

afforded by a single physical cable in the days of digital technology)? H) In the above example, using the UOM suggested, \$180 monthly access now would be written as  $\$180 / (3 \text{ phones} \times 4 \text{ GB} \times 10\text{K texts} \times 10\text{K minutes}) = \$0.15$  per Phone-GB-Ktext-Kminutes. Not an intuitive UOM but a necessary one for comparison purposes. Consider the analogy of purchasing food items in comparable packages, some by weight (lb, oz, g) and some by volume (fluid oz, etc.). Or consider the analogy of the purchase of toilet paper of different plys, number of rolls per package, size of a single sheet, how many sheets per roll, etc. Finally consider the purchase of gas in a different country using the metric system and a foreign denomination. Without reducing all the quantities to a common denominator or UOM, a comparison is not possible. With a proper UOM, comparisons against other plans and suppliers and comparisons against prior years are also now possible. What's a proper UOM for Cell Phones?

In the example above, if a competitor was to offer 5,000 free minutes instead of unlimited free minutes, then the price would be halved to \$0.08 (actually \$0.075) per Phone-GB-Ktext-Kminutes. If instead the upper limits are in fact closer to 1,000 texts and 1,000 minutes per month (closer to an actual physical reality), rather than 10,000, then the total price for the Share Everything Plan becomes \$15.00 per Phone-GB-Ktext-Kminutes, perhaps a figure that is easier to interpret than \$0.15 per Phone-GB-Ktext-Kminutes. The units of the denominator have to be chosen such that the results can serve to represent 1995 usage data as well as 2025 usage data when TBs and PBs probably become the norm to describe quantities of data. The main point is this: there seems to be an infinite number of ways to package data plans that for the most part are not understood by customers and which components of costs are also not understood by the customer, let alone manageable. A final analogy might be the purchase of warranties on vehicles that reach expiration either at a certain mileage or a certain period of time, whichever comes first. Cell Phones lend themselves to multiple billing possibilities that don't favor the customer.

As already mentioned, prices of available plans for Oregon are not well indicated. The identification of the plans themselves is unclear in ORPIN. CA w CP Verizon shows both List Price and Contract Unit Price on its price list. A number of states appear to have had the same basic price and plan literature as far as Verizon Wireless is concerned including Idaho and New York with only small deviations between them. The deviations in pricing appear to stem from the varying administrative fee rates for these states. Contrary to most other categories, the administrative fee rate is subtracted from the expected discount to give the actual discount as opposed to being calculated separately. The resulting price is therefore slightly more.

California has the traditional WSCA Plan and also another plan with different pricing than the Nevada-based WSCA deal.

Sprint/Nextel has on [www.wscawireless.com](http://www.wscawireless.com) a map classifying all the states in three groups or markets: State Participating Addendum (19 states), Local Participating Addendum (15 states), Inactive State (16 states). Two conclusions can be drawn: 1) Sprint/Nextel knows its markets on a national level; 2) It is not necessary to have the entire state participate in order to achieve some market penetration – having cities participate is possible even if the state itself doesn't participate. If one way doesn't work, try another way. This latter seems like using two different channels to enlist its customers and differences in pricing for state vs local was not researched. In itself, this isn't necessarily bad. But in conjunction with lack of price visibility, it points to a potential need for larger efforts for creating savings.

It appears this category was in a state of flux at the time of the study, with new awards taking place or with significant changes in the existing PAs, here and in other states.

For this category, the administrative fee rates are thought to be: CO: 1.00%, ID: 1.25%, OR: 1.00%, UT: 1.00%, WA: 1.50%; there is more uncertainty than for other categories.

All Categories

With the growing uniformity of NASPO/WSCA pricing and the disappearance of publicly available pricing, benchmarks against which to compare have disappeared. For example with PC Hardware, when considering the states alone, 50 different sources of pricing may have existed ten years ago reflecting 50 individual procurement transactions. Today, one source only exists for 44 or 45 of the 50 states with at a maximum 5 or 6 other sources of pricing. This leads to a total of seven sources of pricing to compare against one another whereas 50 existed before. With the disappearance of visibility into retail pricing publicly verifiable, an actual verification of whether all 44 or 45 states are getting a good deal or are not getting a good deal is not possible. The decision to buy or not is dependent on the purchaser's appetite for the goods and services in light of available resources. Whether getting a deal or not, given available funds, does the deal seem a good one may be the question that guides the decision to buy or not. And without a scrutiny into the cost of the manufacturer/retailer for producing/making the goods available, retail pricing is almost meaningless. Therefore a solicitation process that calls for the identification by the manufacturer of the costs for the goods may be a step towards containing costs. Another source is likely most important: annual financial reports of companies. If all 44 or 45 states report savings and Dell and HP's annual financial reports report record or significant annual profits (and more specifically in the corresponding state government segment), can a win-win situation really exist? If a win-win actually does exist, then something internal to these companies must have happened. Without a discovery of such factors, the claims of savings are difficult to support.

No data was collected this year from US Communities. No data was collectible from National Joint Powers Alliance which offers no transparency of pricing.

Taxes were not included in the study for sake of consistency with previous years. However it is believed to be needed for inclusion in the pricing for a proper apple-to-apple comparison to be effected. The point can be easily argued. Taxes for CA were determined to be 7.25%. California District Taxes also apply and vary by Tax Area. Sources of information for the applicable administrative fees for CA: State of California / Department of General Services / 2011-2012 Price Book (Revised: August 26, 2011); Sales and Use Taxes: Exemptions and Exclusions / February 2012 (Pub. No. 61); California City and County Sales and Use Tax Rates / August 1, 2012 (Pub. No. 71); and e-mails with Eileen Tardiff, Contract Administrator for California DGS including the suggesting of websites <http://www.boe.ca.gov/sutax/faqpurch.htm>, <http://www.boe.ca.gov/news/sp111500att.htm>, <http://www.boe.ca.gov/sutax/pdf/districtatelist.pdf>. No other state underwent this extensive a research as far as taxes and administrative fees.

The worksheets for price data capture for two of the five categories were standardized this year so as to have a same feel and look: HW 2012 Compiled, and OS 2012. Columns A-M of these worksheets are the same and except for OS 2012, a section below the main data area gives info about sample sizes. The worksheet IP 2012 Compiled was also standardized but not as completely.

Most pricing was captured in print and then transferred to the applicable worksheet. Refer to the binder for 2012 KPM #12 for this year's collection of pricing data and related information such as admin fee rates and taxes.

One-on-one meetings with the Buyers took place as follows during the study: PC Hardware: one formal meeting. No course correction to the study was suggested during that one-on-one meeting with the Buyer. Office Supplies, Janitorial Supply, Cell Phones: no meeting. Vehicles: two ad hoc meetings. The absence of one-on-one meetings prevents one possible avenue for course correction recognition.

One initial review meeting was set up to review then current findings obtained from the study and to start engaging on the development of a new /adapted savings methodology and the resulting tool coined Savings Scoresheet. There were no attendees. A final review meeting was setup of the final results; only the Transactions Manager attended it. The results were presented to the Administrator for EGS and then presented to BAM Folks and DAS Folks.

## 6. WHAT NEEDS TO BE DONE

This year is the fourth year of not meeting or exceeding the target. The target of 8.5% has not been a realistic figure for these last few years. While the general economic climate remains a very difficult one, it does not alone explain the apparent under-performance expected. The methodology is no longer relevant to report savings: the comparison of Oregon cost savings against other states who participate in the same WSCA price agreement is no longer a measure of success. Since our neighbor states also benefit from these discounts through the same WSCA price agreement, Oregon's results are marginalized. DAS needs to adapt its measurement method. A supplement to this page is attached describing factors that should be considered when developing a new method.

Alternatively the target needs to be reduced. A nominal 2.00% seems like a fair new target. If the same supplier serves all neighbor states equally, then the only discriminator between one state and another are the sales taxes and the administrative fees when applicable, the latter being generally of a minute importance with less than 1% of difference between the states.

While Oregon benefitted from significant discounts from retail pricing again in calendar year 2012 for the commodities of this analysis: 29.2% on average on PA9758 with Dell, 35.1% on average on PA9760 with HP, 65.6% on average on PA9803 with OfficeMax, it is difficult to assess the reality of retail pricing and count as taxpayer dollars saved savings calculated by using retail pricing.

The standard for volume sales reports used by suppliers has been adjusted to better integrate cost savings measurements but is not used uniformly. It is used with greater frequency indicating partial success but resistance encountered from the supplier in providing the necessary lines of data results in a softening of the standard and full transparency is not achieved.

There is an ever growing need to continue to make procurement decisions based on solid data. The consistent collection of the data and the custody of the data in a single location are necessary but very elusive with many disparate information systems. Also, there is no observed incentive to collect it and act on the information obtained from it. Determining meaningful rates of savings is difficult for each commodity or individual good or service within that commodity. The responsibility for the savings need to be attributed to specific individuals and tied partially to personnel performance. Integration of the data compiling and other procurement functions is needed. Developed spend profiles need to be communicated to our customers for feedback and improvement of the data synthesis. Transparency of all prices (retail versus discounted), charges, costs, rates, needs also be sought and the price information should be readily available in the written price agreements. Pricing data in attachments to Price Agreements in ORPIN must be in MS Excel alone and avoid PDF versions. The necessity to transfer data from one medium to another must be avoided; MS Excel format should be singularly enforced. Compliance of pricing must be achieved upon receipt of the very first VSR for any commodity and particularly for the population known as Top 30. All savings resulting from a Buyer's strategic negotiation should be captured, made available and posted internally in a Spend and Savings Scoreboard. Price lists available only from accessible web sites and valid for only a short span of time continue to pose a problem for price compliance.

## 7. ABOUT THE DATA

For FY2012, the reliability and integrity of the data is excellent for some commodities, unverified for Vehicles, for an overall assessment of fair. DAS selects a very large sample of items for the five categories of contracted goods and related services for the measurement model. Specifically for FY2012, the sample selected represented the following percentages of the total combined (state agencies & ORCPPs) spend for CY2011: 37% for PC Hardware, 18% for Office Supplies, 25.3% for anitorial Supply. These represent huge samples that are therefore statistically very significant. A sample could not be determined for Cellular Phones. Volume sales data captured for CY2011 in each category (except Vehicles) guarantees a rich representation and a fairly accurate measure of procurement pricing effectiveness. This work is challenging and complex. Each commodity has distinct and different issues related to accurate price comparison measurement. A lot of elements need to be examined when matching items and determining them to be sufficiently comparable for inclusion in the analysis. For example, comparing pricing for vehicles requires knowledge of model year, make, model, trim, propulsion, configuration, capacity, standard or special options, exclusions.