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CASE STUDY

Syndicated Purchasing of Network Printers, Multi Function Machines and Copiers

Christchurch City Council and Ricoh NZ

Presenter

Mohammed Sayeed
Support and Customer Services Manager
Christchurch City Council

Presented By

SOLGM
NZ SOCIETY OF LOCAL GOVERNMENT MANAGERS



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Executive Summary

Christchurch City Council's Information Technology (IT) and Procurement units worked together to negotiate significantly reduced prices for the purchase and lease of printers, multi-function machines and copiers as well as high level support and account management from Ricoh NZ.

To increase our negotiating power, we invited a number of other local authorities and council owned organisations, mainly in the South Island, to be part of this project. Twenty-six organisations are now participating in this agreement, and have been named the Regional Purchasing Group (RPG).

Syndicated purchasing has enabled the Christchurch City Council and other participants to achieve significant cost savings from Ricoh due to economies of scale. These cost savings could never have been achieved by each organisation individually. This process has been so successful that the RPG is undertaking further negotiations for the purchase of personal computer hardware and software licensing.

A list of participations is shown in Appendix 1.

The Problem or Issue / Initial Environment

Prior to the project, local authorities in the South Island were negotiating individually with vendors and suppliers for the purchase of IT equipment. As many of these local authorities are small, with limited resources, and require relatively low numbers of machines, they were unable to negotiate significant discounts and their purchasing power was limited.

Christchurch City Council (CCC), the second largest local authority in the country, recognised this issue through networking meetings, and wanted to support neighbouring councils, while also ensuring they achieved the best possible purchase price. Discussions with other local authorities identified interest in a syndicated purchasing approach.

Description of the Project / Response

Prior to the start of the project a regional purchasing group had already been established, but was relatively small (under 10 organisations). The CCC, as the largest council with the most resources, including staff, took a leadership role.

When the CCC's contract for the purchase of printers, photocopiers and multi-function machines was due for renewal, the opportunity was extended to the RPG to be included in

the new contract. The usual RFP process was followed and the contract that was put out for tender included provision for new parties to be added.

Ricoh NZ was the successful tenderer and was awarded the contract. CCC and Ricoh agreed to further evolve the RPG process and actively seek new participants by making personal contact with IT managers and procurement units of councils and council controlled organisations (CCOs). Ricoh also undertook to promote the RPG when responding to other RFPs and to promote the benefits of joining.

For participating councils, the benefits are cost savings through cheaper purchasing, as well as reduced staff time involved in dealing with tenders and contracts. After joining the existing contract, councils still deal directly with Ricoh for ongoing service and support, and have dedicated account managers.

Ricoh also recognised the benefits for their own organisation, namely reduced costs from not needing to respond to individual RFPs or enter into individual contract negotiations for small contracts.

One of the key elements to the success of the RPG is the buy in from Ricoh as a vendor into the concept of syndicated procurement. This has taken a number of forms. Alongside the CCC as well as independently they have proactively promoted the benefits of the RPG to prospective participants. This has included Ricoh contacting local authorities directly as well as sharing in presentations with the CCC to relevant groups (e.g. SOLGM within the South Island). In addition they have proactively adjusted terms of the agreement to reflect changes within the market so participants to the RPG are always advantaged by the contract. In addition as the scale of the Group has grown they have negotiated further discounts from their manufacturing division to benefit all.

The RPG now has over 20 participating organisations, including councils, CCOs, and some community organisations (not for profits). The process around who can join the syndicated group for each contract is jointly managed by the Supplier (Ricoh) and Christchurch City Council as the lead council.

Whether council approval is needed to participate in the RPG depends on the level of delegated authority officers have within each council. To date decision making has only been necessary at officer level at CCC. Most of the discussions have been at officer level and as this project grows it may need to be endorsed by the Council.

Some councils, albeit a small number, chose not to join. Usually this was because they were either locked into existing contracts, or they wished to retain autonomy and control over their own purchasing. But the door remains open to them joining in the future.

Results – Financial and Service Level Impacts

Savings by migration from small workgroup Laser Printer solution to larger workgroup MFP solutions

Throughout the years a number of participants have “acid tested” the value of the RPG by tendering the market themselves (e.g. Waimakariri District Council, Selwyn District Council). After evaluation the RPG and Ricoh has still won through in terms of value, account management, service level agreement and solution technology. Feedback from participating organisations (some comments are below) illustrates this.

Specifically

- Pricing was better
- Service Level Agreements contained a higher level of commitment
- Performance reporting was included
- Workflow analysis (initial recommendation as well as ongoing monitoring) was of a higher standard.

Feedback from Participating Organisations

Lindsay Prescott
ICT Manager
Canterbury Development Corporation

“Syndicated Purchasing (SP) is a great way to save money and time (which is often the same thing!). Our organisation has benefited from the power of collective purchasing through this arrangement. As a result of the programme our purchase costs have decreased significantly from when we purchased through regular vendor channels allowing us to spread our somewhat meagre budget even further.

The advantages of dealing direct with contract pricing allow you to know exactly how your budget will be affected. This makes planning ahead for the financial year considerably easier via more accurate forecasting.

Service levels have improved simply due to the magnitude of the contract value. Our SP suppliers have a vested interest in keeping us happy and ensuring that they stay as our preferred supplier.

An added benefit is not having to go through a middle party to order goods. In the past the order process was more complicated and caused more paperwork as invoices had to be recharged or recoded to the various departments.

Our organisations experience with the SP model certainly encourages us to look for further opportunities to incorporate it”

Grant Elliott,
Manager Financial Services
Hurunui District Council

“When it was time to renew our photocopier, which was not a Ricoh photocopier, our then photocopier supplier could not match the prices offered by the Ricoh syndicated purchasing deal. Ricoh’s pricing was well below the pricing offered by any competitors. Hurunui District Council has since replaced all our main printers and photocopiers with Ricoh printers/photocopiers. Service levels have been good and we get prompt service from the Ricoh office in Christchurch even though Amberley is a 40 minute drive away.”

Michael Lightfoot
IT Manager
City Care

“City Care has found that syndicated purchasing has worked for our organisation and provided us with a number of benefits. We are a large organisation in terms of staff numbers but the majority of these are field staff. We only have a small team in terms of office/corporate staff to support them and therefore are continually looking at ways to reduce our overheads.

Syndicated purchasing has allowed us to obtain hardware and software at a better pricing level and discounts as larger organisation are able to achieve. We are able to purchase new hardware on a one off basis if needed, compared to before, where we would have to purchase bulk hardware to get a similar price, and more efficiently utilise our expenditure.

We are therefore making savings internally due to not having to send time going out for tenders, reviewing submissions and negotiating with the suppliers. With all this taken care of externally to our organisation, we have been able to maintain a small IT department and not had to have the IT procurement process taking up a large amount of a staff member’s time therefore allowing better utilisation of their time to increase productivity for our organisation.

Along with syndicated purchasing normally means standardisation of hardware and software. This has also enabled us to reduce our support issues and therefore the cost to support them.

The service levels we receive now are if anything better than what we had received before. We have had excellent support from our suppliers in supporting a lot of our remote locations around the country.

I believe this is mainly due to the fact that the suppliers are aware of the total business that syndicated purchasing is providing them and they want to make sure that when it goes out for renewal again they are in a strong position to retain the contract”.

Donald Ellis
Manager Information & Customer Service
Waimakariri District Council

“For a smaller organisation such as ourselves syndicated purchasing delivers a couple of benefits: reduced cost of search and reduced purchasing costs. As a member of the Regional Purchasing Group with Ricoh NZ Ltd we receive two benefits. The first is that we can access significantly lower cost structures when purchasing or leasing printers, copiers and multi-function devices. Our volumes alone would not have been enough to allow Ricoh to offer the volume discounts they can when our requirements are aggregated with a larger organisation such as Christchurch City Council. Secondly, the reassurance that the selection process is robust is almost as important to us. We can be assured that the lead purchasing agency has undertaken due diligence that conforms with the general principles of public sector purchasing. In smaller organisations the cost of purchasing (search and selection) is a significant drag on performance so it much more efficient for us to jump on the coat tails of someone else”

Prospects / the Future

Due to the success of the Ricoh project, CCC has decided to extend the process to other contracts and RFPs.

CCC has recently issued an RFP for the selection of a large account reseller and preferred supplier of personal computer software which was jointly issued with five other organisations. This process proved without doubt that there are significant benefits to be gained as a collective. An example of this is that one of the participating councils was paying 10% margins on licensing costs. This process reduced this to 5% with an increase in the level of service.

Furthermore, an RFP for the supply and support of personal computers was issued by CCC and a number of councils are considering participating in this agreement. Comment from one participant is below.

Steve Allan
Information Systems Manager
Ashburton District council

“Ashburton District Council was invited to join the syndicated purchasing initiative for Dell Computers by Mohammed Sayeed at Christchurch City Council. This initiative allowed Ashburton District Council to access pricing that would usually only be offered to a council with much greater buying power. It also gave Christchurch City Council greater scope in negotiating prices and service levels by increasing the potential budget. Ashburton District Council has used this agreement to purchase laptops and is assessing the success of this arrangement before considering Dell as the main supplier of desktops.

The potential for increasing the scope of the syndicated purchasing is enormous and I would be keen to encourage this development. Having one central point to manage the

requisitioning process and contract drafting should produce a better quality outcome for all participants. It is still too early to quantify cost and service benefits and there are certain issues that need to be addressed by both the supplier and participants in such a scheme.

A common core requirement for all participants will need to be established as the basis for negotiations. Variations to this core requirement will need to be catered for in the agreement. This core requirement includes not only the hardware, but the service levels that can be delivered by the supplier to participants that may be geographically dispersed. The variations will need to cater for the different requirements of participants and new products that become available during the agreement period. The supplier will need to establish a new account management structure so that all participants are offered the pricing set in the agreement and a clear reporting and feedback mechanism should be developed.

I encourage the development of this central purchasing function and believe that there are significant cost, time and effort savings in addition to an improved purchasing process”

Adaptability / Transferability

This process is really about developing and maintaining relationships, and could be applied to any purchasing contract where all parties are willing to share and promote the benefits of mutual cost savings.

There is potential for other participants to be invited to join as well, such as the voluntary sector.

Conclusions

This is a relatively easy process to use if the basics are followed – the RFP must clearly state that the successful tenderer will allow other participants to the agreement; councils must agree to have one lead council, preferably a large one; and the end goal should be to negotiate with the successful supplier that, as the number of participants and sales increase, the price will reduce.

The choice of vendor is imperative in the success of syndicated procurement. Their investment in and commitment to making the agreement work is paramount. Benefits to participants must be more than just pricing.

The State Services Commission has a number of agreements which local government can participate in, and these offer substantial savings over individually negotiated agreements.

This type of project benefits smaller councils which don't have the same buying power as larger councils – syndicated purchasing overcomes this issue, and everybody wins.

I believe that local government needs to develop more collaborative ways of working to further develop opportunities such as these.

Contact for Further Information

Name: Mohammed Sayeed
Title: Support and Customer Services Manager
Local authority: Christchurch City Council
Street Address: 163 Tuam Street
Mail address: Box 237, Christchurch
Phone: 039418855
Fax: 039418989
E-mail: mohammed.sayeed@ccc.govt.nz

Appendix 1

List of organisations signed to the RPG

Local Councils

Christchurch City Council
Hurunui District Council
Timaru District Council
Waitaki District Council
Waimakariri District Council
Kaikoura District Council
Selwyn District Council
Mackenzie District Council
Central Otago District Council
Southland District Council
Waimate District Council

Council Owned Organisations or Community Groups

Redbus Ltd
Canterbury Development Corporation
Citibus – Newton
Otago Museum
Jade Stadium (Vbase)
Christchurch Community House
City Care Limited
Destination Queenstown
Electricity Ashburton Ltd
White Stone Ltd
Riccarton Bush Trust