

LET'S JUST COOPERATE!

Leveraging Cooperative Procurement to Drive Savings and Increase Value

By Tammy Rimes



Anyone who shops realizes the benefits of volume purchasing. With the rapid growth of discount, warehouse, and online shopping, shoppers have a mission to save money or gain greater value.

Over the past decade, a purchasing trend that builds on this concept has become a contracting option for public procurement teams as well. Known as “cooperative procurement,” it combines the procurement requirements and purchasing power of several municipal agencies, competing them through a solicitation that typically results in a more advantageous contract. The widely accepted practice called “piggybacking” occurs when a cooperative organization solicits on behalf of its members, with the resulting contract used by many agencies.

Why would a government or nonprofit organization choose this route? The benefits can be tangible, including:

- **Savings in time**—Since the solicitation process has already been conducted, agencies can quickly garner goods and services through an already established contract, rather than spending weeks and months to solicit their own contract(s).
- **Advantageous pricing and value**—Cooperative contracts often produce lower prices by standardizing commodities and services and aggregating spend. Smaller entities benefit by leveraging volume discounts, and benefit from the purchasing power of a larger agency.
- **Subject matter expertise**—Cooperative solicitations allow for the inclusion of subject matter experts across a wider base, as opposed to the limited knowledgeable resources available within a single contracting agency.
- **Convenience**—For customer departments, the ease of obtaining products has been streamlined. Instead of the lengthy process of requesting quotes, bids, or proposals, customers select products and services from the catalog, as the cooperative contract is already in place and vetted by procurement.

A recently released white paper by Harvard University’s John F. Kennedy School of Government¹ touts the benefits of cooperative purchasing, concluding that “cooperative purchasing clearly can add value.”² The leading author, Stephen Goldsmith, who also served as the former deputy mayor of New York City and mayor of Indianapolis, states:

[O]ur white paper reinforced my former experience...in the belief that creative approaches to procurement can incorporate expertise and facilitate innovation. As the cooperative movement matures, it brings in new tools and approaches that can offer hope for beleaguered procurement shops aspiring to both get beyond the commodity work and to better understand new technologies.³

As part of the maturing marketplace, the National Cooperative Procurement Partners (NCPP) Association was formed to be the “voice” for the cooperative procurement industry. Jeremy Schwartz, director of operations and procurement/CPO for Sourcewell, and NCPP board member, remarked: “[W]e are honored to be a part of the great collaboration occurring within the industry to better serve government and nonprofit procurement teams.”⁴

The cooperative industry continues to grow and change to meet the needs of its customers. Contracts have always been prevalent for goods and commodities, but continue to expand into procurement of design, installation, consulting, and construction services in new and innovative ways. Strategic organizations are leveraging cooperative purchasing as a contracting tool to drive savings, incorporate innovative technologies, and implement efficiencies. Allan McCombs, senior vice president for OMNIA Partners, Public Sector,⁵ says:

We have a long history of providing a robust portfolio of competitively solicited and publicly awarded contracts to meet the diverse needs of all public sector market segments. We are now expanding that portfolio to meet the construction, service, and medical research needs of our participating agencies.



PCWA utility staff make use of Fastenal's industrial vending solution. (Photo Credit: Fastenal Company)

AUTOMATING IN SMALL WAYS DRIVE HUGE SAVINGS

Inventory is a huge cost center for many agencies, and warehouse management can be a daunting task. The typical agency warehouse can carry thousands of dollars in products, which sit on the shelves and the budget books as an "asset." In terms of actual management, however—with obsolete product lines, low turnover, and security issues—those inventory items might be considered more of a liability.

Located in Auburn, California, the Placer County Water Agency (PCWA) carries out a broad range of responsibilities—including water resource planning and management, retail and wholesale supply of irrigation and drinking water, and production of hydroelectric energy in Placer County's 1,500-square-mile area. The PCWA's warehouse operations contain a wide inventory, ranging from pipes and water meters to safety goggles and tools. Warehouse employees found that a great deal of their time was being spent on inventorying, retrieving, delivering, and restocking small-dollar, high-demand items.

For example, a utility worker may arrive at the warehouse at the beginning of a shift searching for a pair of work gloves; the stockroom employee completes the necessary paperwork, provides the gloves, and then marks the inventory; and then five minutes later, another utility worker arrives requesting earplugs and the same process unfolds, several times per day. The amount of personnel time to conduct each of these transactions is worth more than the actual items themselves. However, as a public agency, accountability is paramount. PCWA decided to take a different approach by automating the process. Fastenal Company's industrial vending solution was chosen for its point-of-use access and total traceability with the goal to drive productivity and cost savings for PCWA. Vending machines for these low-cost, high-demand items were installed at the warehouse locations, and the PCWA staff were instructed on their use. The results were instant-

aneous: "There was an immediate reduction in consumption due to greater accountability, with use reports generated and supplied to supervisors," said Todd Deacon, CPPB, PCWA procurement and contracts coordinator. "Reduced spending resulted in real monetary savings."

According to Zach Wise, government sales manager of Fastenal Company, by implementing a vending solution, most agencies typically reduce consumption by 25-35%. He also notes that the machines allow products to be available 24/7 or in areas where warehousing would not be efficient. An agency can set the minimum/maximum parameters based on an item's use, and the local Fastenal service team continually replenishes the machines through an automated (paper-free) reordering process. The end results: lower consumption, less inventory, increased transparency and accountability, and better use of labor resources.

"One of the best benefits is reduced personnel time spent on filling these individual orders," added Deacon. "In just the last 100 days, there were 567 transactions through our two vending machines. Instead of having a person individually fill each of those orders, we've freed up time to work on more strategic or value-added projects."

PLAY AND PARKS IMPORTANCE FOR COMMUNITIES

Located in Wisconsin, the North Fond du Lac School District is committed to providing an outstanding educational program in a safe and nurturing environment for its students to become life-long learners. That commitment extends outside the classroom. When one of the school campuses was recently expanded, the new building overtook the existing playground area. The District decided to approach the design and construction of a new playground area by involving the students.



The North Fond du Lac School District's new playground area—constructed via cooperative purchasing. (Photo Credit: BCI Burke)

As Kerri Jo Patten, principal of the Friendship Learning Center, states:

While adults made the ultimate decisions, the students were involved in the selection of playground equipment and aesthetics during every bit of the process. Student committees were formed with representatives from all grade levels—kindergarten through 5th grade—where they were given catalogs to choose the types of equipment desired. In addition, they were asked to consider inclusive play, with some of our students in wheelchairs or other physical abilities.

However, playground design and installation are not child's play. The District looked to BCI Burke to navigate safety requirements and new technological advances. Once the student committees made their choices, adults entered the process to work with BCI Burke on final design and budget. With an 18,000-square-foot area, the intentional design offered a variety of play areas and activities to accommodate differing abilities, ages, and interests with equitable access points for an inclusive space. The chosen play equipment offered musical exploration, swinging, spinning, sliding, climbing, and developing upper body strength. According to Luke Tautges, regional sales manager of BCI Burke:

We offered the OMNIA Partners, Public Sector, cooperative contract to streamline the purchasing process and make certain the school district obtains the play space they desired within the needed timeframe. Using an already solicited, proven contract is a simple and effective way to ensure everyone gets exactly what they need in the most efficient way possible.

The final design options were posted for all the students to review, and a school-wide survey allowed the students to choose the ultimate color scheme—for the swings, the slide, and soft surface. According to Principal Patten:

In addition to our 600 students, the benefits extend to our after-school program, and children from the nearby neighborhoods come to play during established off school hours.

Maintaining open and athletic spaces like community parks, universities, golf courses, and athletic fields is a large responsibility for most facility teams. In the past, any old mower or tractor would suffice. However, today's demands are more comprehensive, as green area maintenance helps define facility attractiveness and, in some cases, ultimate performance on athletic fields. Crews require more sophisticated equipment to meet higher-quality playing field expectations.

When an older mower or tractor needs to be replaced, the emerging trend is to purchase replacement equipment that is more versatile, with value-added components. For example, attachments to spread fertilizer, load sand, haul a pallet of sod, aerate, top dress, remove snow and ice, blow leaves, prune roots, spread seed, tow a trailer, sweep a path, and chip wood may broaden the potential uses for a new piece of equipment and provide a greater return on investment.

TORO, a national leader in providing products for turf management, indicates that more facility managers are choosing diverse equipment solutions through a cooperative contract, rather than going out to bid for a like replacement. The goal is to explore the newest equipment options with the broadest range of additional capabilities, such as a tractor that can also be used as a utility vehicle. A more comprehensive equipment solution simply allows grounds managers to complete their key tasks in a shorter time, with less labor and fewer resources.

Urban parks provide much more than recreational opportunities. They can spur economic growth, solve infrastructure and transportation problems, and contribute to better health for the people living around them. In recognition of the importance that public

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parks play in the community, TORO partners with the nationwide membership organization, City Parks Alliance, which is a group dedicated to supporting urban parks. One major success story is Atlanta's Historic Fourth Ward Park. The original plan was to build a tank underneath a municipal parking lot to hold storm water and slowly release it back into the system, for an estimated cost of \$40 million. Instead, the city chose to build a park that would serve multiple purposes as a public green space, complete with walking trails and a pond system to manage the storm water. The cost of the green infrastructure was \$24 million—a savings of \$16 million. "We're finding that many community and city leaders are now realizing that parks can be powerful allies in accomplishing their goals," notes Catherine Nagel, City Parks Alliance executive director. "They're recognizing the many benefits of parks can be leveraged to help curate more livable cities." For the Atlanta project, "there's new economic investment taking place around that park—which was normally prone to flooding—because it's where people want to be," adds Nagel.

ENVIRONMENTAL GOALS ARE ACHIEVED

Environmentally preferred, or green purchasing, is a huge commitment for many organizations, and procurement is the team to help meet those goals. However, green purchasing can be confusing and up to levels of interpretation—i.e., "shades of green." To make it easier, some progressive companies provide background information on their product lines that may be related to saving resources, energy efficiency, or safer chemicals.

Molly Ray, senior manager of sustainability for Office Depot, Inc., states "Going green doesn't have to be an all or none decision. We believe you can choose to reduce your environmental impact one small step at a time." The Office Depot GreenerOffice Rating™ system rates products as "light, mid, or dark green"—with multiple considerations for each rating, such as recycled content, potential compostable qualities, chlorine or chemical free, and rechargeable/refillable options. Through individual purchasing choices under a master cooperative contract, end users can also help drive the level of environmentally preferred participation within the organization.

For the University of Colorado, the "Silver and Gold" goes green through its environmentally conscious facilities solutions to support the university's broad cleaning needs and eliminate reliance on harsh chemicals. With three public universities across four campus locations (Boulder, Colorado Springs, Denver, and Anschutz Medical Center in Aurora), Sandy Hicks, the university's assistant vice president and chief procurement officer, states: "We knew we could be smarter about how we mandate our facilities operations—and be more green."

Going further than the typical procurement evaluation process, the University of Colorado conducted additional due diligence by conducting a blind cleaning test using glass, multi-purpose, floor



A groundskeeper utilizing multi-capability TORO equipment at Broncos Stadium at Mile High in Denver, Colorado. (Photo Credit: TORO)

and disinfectant solution from each of the vendors under consideration. The ultimate selection was made: Staples. Through use of the E&I Cooperative Services contract, Staples worked with each campus to swap out old products with new, while simultaneously conducting on-site training for all custodial staff—including training materials provided in a variety of languages for members of the custodial staff who speak English as a second language—with the goal being to create and enforce consistent cleaning practices university-wide.

Going green also saved some green—i.e., money! Under the new contract pricing, the University of Colorado achieved a 23% annual cost reduction using the Staples products compared with similar products previously purchased. The university also benefits from next-day delivery, further reducing its carbon footprint by consolidating both its facility and office supply purchases into a single order. Only one delivery truck visits the campus per day. Taking all aspects of its facilities' custodial commodities purchases—ordering, use, and delivery—into consideration for its cooperative purchasing solution, the University of Colorado actively promotes a healthy learning environment while lessening the impact on the environment, which is exactly what the university hoped to achieve.

BENEFITS EXTEND TO SUPPLIERS, TOO

With traditional contracting opportunities, suppliers and vendors vie for business through a series of methods: bids, quotes, or proposals. Even through an automated system, each process may require a tremendous resource and time commitment to submit all required documents, proceed through the evaluation and interview process, and conduct final contract negotiations. Companies are realizing that this type of resource commitment makes more business sense when applied toward a competitively solicited cooperative contract. Once that process is complete, the contract

can then be offered and leveraged across a greater number of organizations—one contract to be used by many. By not having to respond, and ultimately manage, hundreds of contracts, suppliers can strive to offer the most advantageous pricing with value-added services into the cooperative contract.

Organizational bids and proposals can often be overly prescriptive and leave little room for new technologies or more advantageous strategies. For instance, in scoping out the modular furniture build-out for a new office location, there may be building features, color schemes, and potential facility issues that may not be anticipated and require changes or items not included in the original bid. As Kevin Loubert, Industry Leader of State & Local Government for Steelcase, Inc., states:

Cooperative purchasing can be a great vehicle, offering easy access to nearly all our products via a contract that has been competitively bid and awarded. It can really simplify the process while saving time and money for all parties.

Even something as simple as color schemes can be addressed later in the selection process. As Loubert notes:

You wouldn't believe how many shades of the color black, red, or any of the color hues [there are]. Once the actual furniture is ordered, there may be small changes needed to ensure compatibility of esthetics as well as ergonomic design. Ordering from a more comprehensive cooperative contract can provide that flexibility.

The shift in preference to cooperative contracts by the supplier community is backed by research. Paul Irby, principal research analyst at GovWin's SLED Market Analysis group, studies the government contracting market, producing reports with comprehensive market intelligence on government contracting activity in the state, local, and education (SLED) marketplace. According to the latest data, cooperative procurement has become a mainstream contracting tool for public procurement teams over the past decade, accounting for 11-19% of overall contract spend.

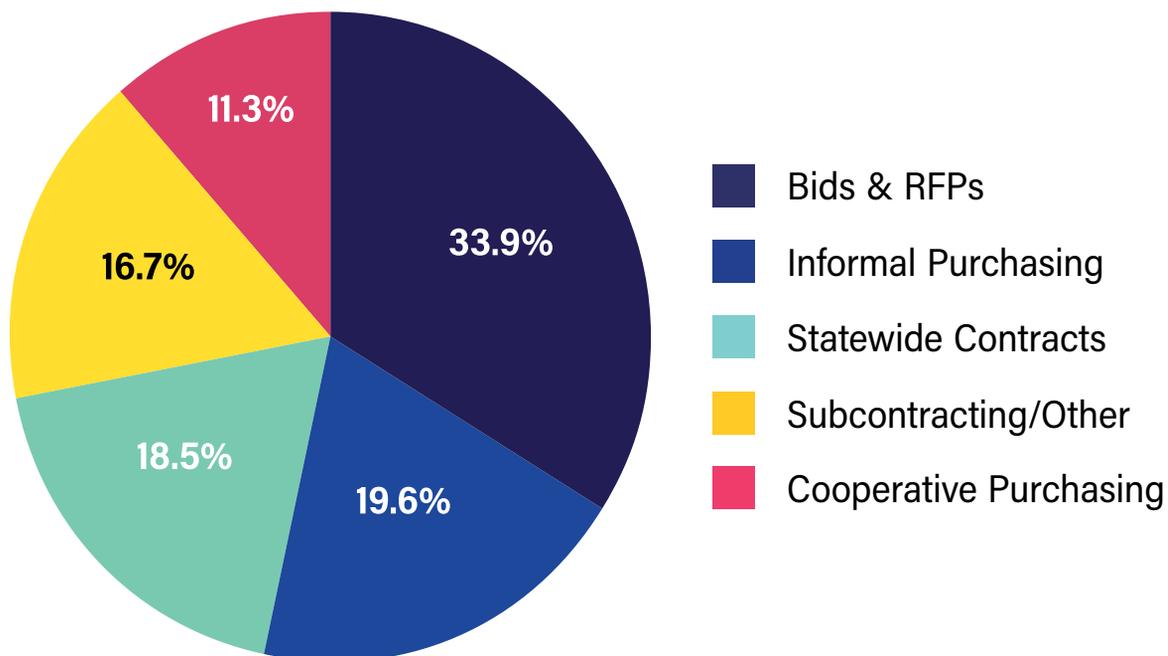
For the supplier community, the awareness and participation in cooperatives is also growing. As Irby notes:

Currently, larger firms participate primarily in cooperative contracts due to their capacity to serve a larger region and client-base, as well as having the needed resources to market and support these contracts. However, smaller and regional firms are starting to review this contracting option with serious consideration and weighing the benefits. This may ultimately slightly increase competition over the next couple of years for these contracting opportunities.

PROCUREMENT TEAMS SEE STRATEGIC ADVANTAGE

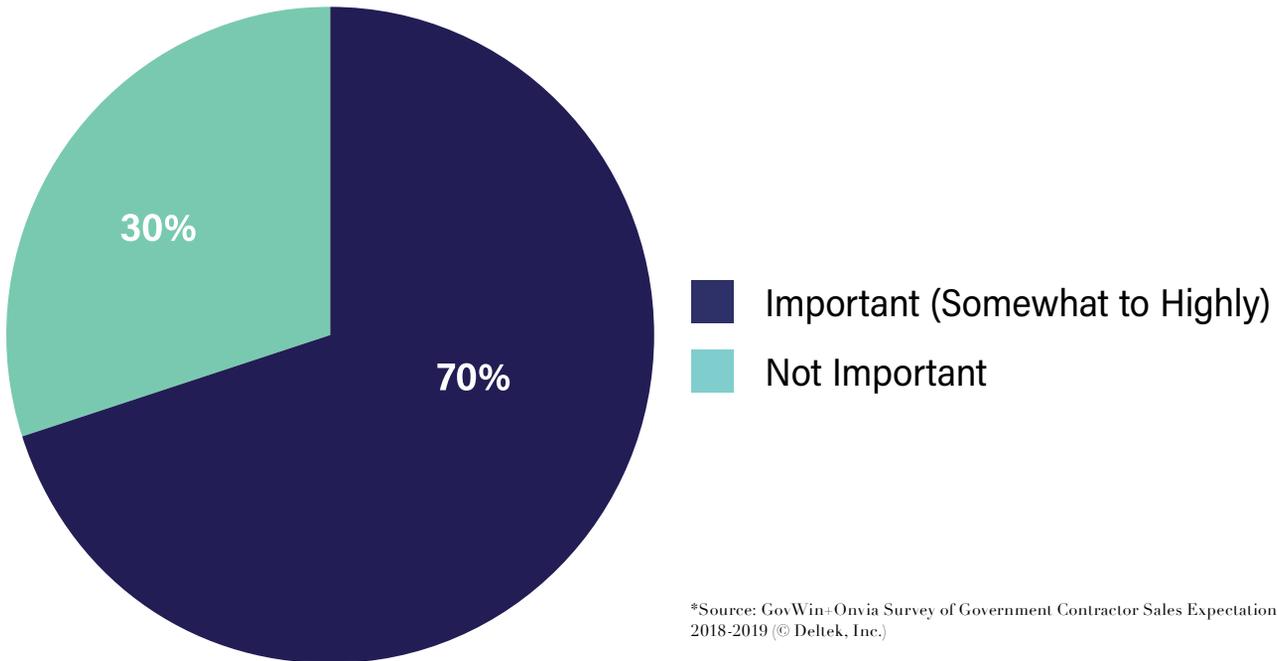
Greg Piland, financial operations manager for the City of Kirkland, Washington, views cooperative contracts as a strategic way to leverage his team's limited time. By selecting already solicited contracts rather than always going out to bid, his team can be more responsive and shorten the delivery time of obtaining products and services for his customer departments.

FIGURE 1. Contractors See About 11% of Total SLED Revenue From Cooperative Purchasing (Nearly 14% w/o Subcontracting)*



*Source: GovWin+ Onvia Survey of Government Contractor Sales Expectations, 2018-2019 (© Deltek, Inc.)

FIGURE 2. Most SLED Contractors Believe Cooperative Purchasing is Important to Their Growth in the Next Year*



*Source: GovWin+Onvia Survey of Government Contractor Sales Expectations, 2018-2019 (© Deltek, Inc.)

While the average bid/award process may take several weeks or months to accomplish, Piland explains:

Most cooperative organizations have become sophisticated in organizing their materials, and knowledgeable about which documents to make quickly available. Due diligence research and final decisions can be made in an afternoon once a procurement professional has all the necessary materials with answers to key questions. With so many choices available, my team can make the decision quickly, and move on to more time-intensive assignments like a capital improvement project.

CONCLUSION

In conclusion, Mike Wenzel, CPPO, CSM, the former chief procurement officer for the State of Maine and currently a procurement consultant, perhaps put it best:

Aggregating and leveraging the procurement needs of several organizations is the backbone of cooperative purchasing. The recent increase in cooperative purchasing is a welcome solution for procurement leaders who often report that their staff members are feeling overworked. In the procurement toolbox, cooperatives are just one strategic sourcing option requiring a thoughtful analysis and consideration. **CM**

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ENDNOTES

1. Stephen Goldsmith and Scott Becker, "Cooperative Procurement: Today's Contracting Tool, Tomorrow's Contracting Strategy," White Paper, Harvard Kennedy School, Ash Center for Democratic Governance and Innovation (October 2018), available at https://cdn.ymaws.com/ncppassociation.org/resource/resmgr/docs/harvard_kennedy_school_white.pdf.
2. *Ibid.*
3. *Ibid.*
4. Note: All quotes from individuals within this article are taken from personal interviews with the author unless otherwise noted. All quotes, anecdotes, and data relayed by these individuals and quoted within this article have been reviewed and vetted by the mentioned companies and/or agencies with their permission for use.
5. Formerly National IPA and U.S. Communities.

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