



The Supplier-Practitioner Connection: Adding Value to Procurement

WHITE PAPER

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NIGP Business Council: Who we are.

NIGP's Business Council is composed of representatives from each company participating in the Institute's Enterprise Sponsor Program. Enterprise Sponsors span a wide range of products and service categories and are leaders in their respective industries and have demonstrated a shared commitment to NIGP's values: Accountability, Ethics, Impartiality, Professionalism, Service, and Transparency.

The mission of the Business Council is to

Serve the NIGP membership and procurement profession through the sharing of resources and business expertise in support of NIGP's educational, research and advocacy mission.

In essence, the Business Council connects the supplier's perspective with the public procurement community and is dedicated to improving the buyer/supplier relationship.

White papers represent one of the ways in which the Business Council supports the educational mission of NIGP.



Connecting Supplier Perspectives with the Public Procurement Community.

August 7, 2017

Public Practitioners, Suppliers, and Interested Readers,

Last year's NIGP Business Council had selected the topic of Total Cost of Ownership: Realizing Procurements Full Potential in Value Creation for its white paper topic.

Total Cost of Ownership (TCO) provides agencies a process that when used appropriately, that better defines opportunities, evaluations and decisions around the acquisition of products, service and services. Total Cost of Ownership provides an invaluable tool for setting and measuring expectations both internally and externally.

This year's white paper topic makes the assumption that the top performing agencies are interested in leveraging the knowledge and capabilities of the present and potential Suppliers.

The Supplier-Practitioner Connection: Adding Value to Procurement

In our fifth paper, the Business Council examines the different ways that suppliers can add value to procurements, regardless of the procurement strategy an agency is using. Public procurement professionals employ a range of strategies to make procurement decisions that best meet the needs and goals of their agencies. Increasing the use of insight and shared practices for current and potential Suppliers will enhance the overall outcomes and reduce the total cost.

Covered in the paper are six key areas of conversation:

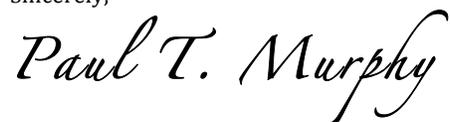
- Supplier relationship/ Performance Management / eProcurement
- Getting to "we" in negotiations
- Sustainability
- Socio-Economic Issues / Diversity and Inclusion
- Using Suppliers as Resources
- Encouraging Suppliers to Provide Best Value

The NIGP Business Council Members knows the value of providing insight and broad base knowledge to public procurement professional. The Council is made up of a cross section of large and small companies that have the same challenges as most agencies. We are searching for the best value when we procure our products and services, our talent pool comes from the same communities, we are striving for a more diverse and inclusive work environment and we are planning to sustain our organization while contributing to our communities.

We are committed to Adding Value to Procurement by improving the Supplier and Practitioner Connection.

Additionally, it is an honor and privilege to serve as the NIGP Business Council Chair and to have the opportunity to interact with so many talented, intelligent, and dedicated individuals who make the white paper and other activities possible. Thank you to the Business Council, the NIGP membership, NIGP staff, and Public Procurement Practitioners.

Sincerely,



Paul T. Murphy
2016-2017 NIGP Business Council Chair
VP, Major Accounts and Vertical Markets, Canon Solutions America, Inc.

Introduction

In the past four years, the NIGP Business Council has produced four [white papers](#) that explored ways in which the supplier community and public procurement community can learn from one another by taking a closer look at some of the primary reasons suppliers decide not to respond to a request for proposal/invitation for bid (RFP/IFB), examined recommended practices for procurement professionals to consider when developing an RFP/IFB, looked at ways procurement professionals and the supplier community can improve communication and outcomes, and discussed the total cost of ownership approach to procurement. The response to the Business Council's white papers has been very positive.

In this year's paper, the Business Council examines the different ways that suppliers can add value to procurements, regardless of the procurement strategy an agency is using. Public procurement professionals employ a range of strategies to make procurement decisions that best meet the needs and goals of their agencies. Some use a best value approach or financial analysis while others use cooperative purchasing agreements or other strategies. Although their strategies may differ, all procurement professionals can find value in working closely with their suppliers.

It is important to note that we do not consider selecting a supplier based solely on lowest price as a procurement strategy—a strategy requires a purchaser to look at a supplier's performance to determine if they can do what they say they can do. Can the supplier provide the quantity of items needed? Do they have the capability to deliver the products, equipment, or services within the required timeframe? What are the non-price variables that would make a procurement professional choose to work with them? Is there a benefit to the local community in selecting one company over another? When an agency focuses primarily on price, these and other issues can arise that may not provide best value for an agency.

Agencies that use a best value approach to procurement understand that best price is not always the best value. By using best value evaluation criteria, agencies select the products, equipment, and supplies that meet their specifications, but they also consider the supplier's experience, support services, knowledge of customer needs, equipment longevity, end user training, equipment maintenance programs, and other qualifications. Yet while lowest purchasing price is still being used to manage supplier performance, there are opportunities for agencies to work with existing or potential suppliers to understand that lowest price is not performance management, it is one variable. And even agencies that have selected suppliers simply because they offered the best price still have an opportunity to work and negotiate with suppliers to find out what other non-price related benefits they can offer to provide value for the agency.

Benefits of using suppliers to help with procurement strategies

It can be extremely helpful for procurement professionals to meet with suppliers before releasing a solicitation to ensure that the RFP reflects up-to-date product information, incorporates best value, and begins to establish a foundation of trust on which to build a healthy practitioner-supplier relationship. Face-to-face meetings allow practitioners to familiarize themselves with the current market and give suppliers an opportunity to present solutions. Having the opportunity to interact with suppliers and address their questions can give procurement professionals valuable information without going through a formal request for information (RFI) process. And meeting directly with suppliers encourages better supplier participation when an RFP/IFB is released.

When agencies share their quality expectations and intended outcomes upfront, the supplier community gains a better understanding of what needs to be delivered and how to deliver it. Over time, agencies will see solutions that best meet their needs, often in a more innovative manner than if they had relied on the traditional method of issuing solicitations that only included product or service specifications.

Once a practitioner has developed good relationships with the suppliers, then even in the early planning phase of a new procurement suppliers can provide invaluable information on the latest technology or sustainable practices, alternative financing arrangements, and the equipment best suited to meet the practitioner's needs.

In this white paper we examine the ways in which suppliers can help agencies before, during, and after the procurement process, and we provide real life scenarios that illustrate the ways in which suppliers can add value. Suppliers can become valuable resources to agencies on such issues as sustainability, financing, and socio-economic concerns, including diversity and increased competition, and we look at these issues and offer examples of ways practitioners can work with suppliers to leverage these advantages. We also discuss how procurement professionals can encourage suppliers to provide their best value and the benefits to agencies of reassessing their strategies and performance metrics. At the end of the paper there are takeaway reference guides that procurement professionals can use and adapt to meet their own needs.

How Suppliers Can Assist Agencies with Procurement Strategies

Supplier relationship/performance management

Suppliers operating on the open market must understand the changing dynamics in the marketplace they serve to ensure their continued success as an organization. If they do not understand, adapt to, or promote changing competitive marketplace conditions, then their survival as an organization is in jeopardy. Government agencies can draw on the knowledge the supplier community gains while operating in their fields to see how those offerings, ideas, and opportunities can help their agencies obtain the best solutions to their procurement needs. Further, government agencies can identify preferred opportunities for their supplier community to support their procurement needs and gain feedback from suppliers on options to fulfill those needs. In this way, agencies can partner with suppliers to have them propose the most up to date, efficient, or cost effective options on the market.

One area in which suppliers can partner with procurement professionals is in the field of eProcurement. A recent Center for Digital Government survey of 138 government, IT, and procurement decision makers found that 31 percent of respondents do not have a portal or eProcurement system where they can post bids, RFPs, or existing contract information online. Highly configurable, these solutions can be designed to meet an agency's specific needs while also maximizing the number of qualified suppliers who view and respond to solicitations. There are models available based upon an agency's annual spend, number of users, and other variables to support ROI preparation for potential new technology.

Despite the range of solutions that are now available to streamline processes, increase efficiency, decrease expenditures, and create transparency within the procurement process, many agencies still rely on inefficient, paper-based systems requiring manual administration. By reaching out to suppliers to get their thoughts on the available solutions and alternate funding models best designed to meet their agency's needs, increasing numbers of procurement professionals are modernizing their procurement processes and becoming more efficient in their use of taxpayers dollars.

Scenario: eProcurement system meets county's goals

The government in one large county had long relied on paper-based methods to plan, prepare, and publicize requests for proposals and bids and manually ensure that all contracts met state and local government statutes and policies and procedures.

Recognizing the immense challenges of this antiquated procurement process, county officials sought to move to an electronic-based system. Specifically, they wanted to find a procurement solution that would reduce acquisition expenses and procurement cycle times while increasing operational efficiency and transparency, especially for larger dollar construction contracts.

Eventually, the county purchased a product and was able to create a fully automated eProcurement system in which employees could automatically create, tabulate, and evaluate of all types of bids quickly and easily. However, the county still needed more customized process support for its construction-specific bids. So the eProcurement supplier worked with the county to develop an add-on module to their product. With this addition, county officials were able to better manage complex construction proposals from the release of a bid request through the final award of the contract.

Since eliminating manual administration of bid notifications and responses, the county has enjoyed increased operational efficiencies and significant cost savings. As the volume of bids increases year to year, the county does not have to invest in more staff or new software — their product is scalable to any growth surges the county may experience. By working closely with their supplier, the county cut costs, made better use of taxpayer dollars, and achieved greater transparency.

Scenario: Procurement solution for university maximizes productivity

A university was looking for a turnkey product supply solution for their six campuses across the state that would consolidate suppliers and keep workers on campus to maximize productivity. The solution needed to include walk-in and online punch out capacity to

service central stores and departments. Working with the university's Procurement Team and their central store, their chosen supplier's account representative established a university-focused team in the local supporting stores. The supplier connected to the university's eProcurement site and onsite sales representatives began visiting the campus three times a week to work directly with the central stores and department-specific order needs. Same and next day deliveries have reduced the need for excessive inventory in the central stores and have kept workers on campus. By having a professional account representative in place, the supplier helped to create a turnkey procurement solution. The single point of contact and ease of purchases has allowed the university to consolidate suppliers and reduce procurement costs, as well as have local access to a large inventory of frequently used products.

Win-Win Negotiations

A win-win negotiation is a process in which a government agency and its awarded supplier reach a mutually beneficial award of a procurement, or procurement process agreement, that the supplier can fulfill and that makes the best use of the agency's taxpayer monies. The agency also needs to maintain strict compliance with their procurement policies/processes to ensure that the award process is conducted in the most open and transparent way possible to ensure that favoritism, without documentation, is not part of the process.

The process of a win-win negotiation in many cases starts before the procurement process is even initiated and can include a range of activities such as:

- Cataloging the procurement needs of the agency and the frequency of those procurements
- Identifying how the agency chooses to procure to make their procurement processes clear
- Obtaining feedback from existing and potential suppliers to understand how their sales processes can support the government agency's needs

There are other issues that agencies can consider, but it is most important that agencies make clear how their procurement process works, that the process can change based on needs, and that it can be flexible enough to accommodate a wide variety of ways that various suppliers to support those processes.

Sustainability

With citizens today demanding that government play a proactive role in protecting the environment for future generations, environmental issues impact all phases of the procurement system. As a result, they are of great importance to procurement professionals. By working with suppliers as their strategic partners, agencies can stay abreast of recent developments related to energy efficient products while reducing energy consumption and saving money in the long run. Due to increases in utility rates and rapid decreases in the cost of energy efficient products, factoring environmental sustainability into buying decisions makes more sense each year.

However, an agency's budget and the return on investment are factors to consider in any potential purchase. Upgrading to sustainable products may seem more costly than using the products the agency has always used. The long-term benefits of a sustainable upgrade are clearly going to save the agency money, but the practitioners may not have planned for the initial outlay. Before the practitioners can proceed, they may have a number of questions:

- Should we make a change?
- Where will we get the funding?
- Are we choosing the right solution or are other options better suited to our application and/or budget?
- What factors should we use for our evaluation?
- Have we considered all of the risks of not changing?
- Where should we plan for sustainable upgrades, in the capital budget or as part of operating expenses?

- How do we calculate ROI, and what should the payback period be?
- Is this change going to have a positive and noticeable impact on people who use our facility?

Fortunately, suppliers are available to help practitioners address each of these issues. Procurement professionals may want to work with a supplier, or multiple suppliers, to assess their situations and develop goals that align with their agencies' concerns related to health and safety, resident or staff satisfaction, property appearance, quality of life, and environmental impact. Many suppliers have resources and tools such as lighting audits, energy audits, energy savings calculators, utility rebates, ROI assessments, certified sustainability staff, and others that can help practitioners with this process. Starting with an assessment instead of the budget considerations will help practitioners to fully understand the current conditions of their facilities and equipment and establish a baseline from which to work.

One large supplier has designed The Greener Purchasing Program to support their customers' goals of a more sustainable procurement. The program has five main steps and a series of tools to help agencies save time and money while reducing their overall environmental footprint. Each tool in the program was created to solve a specific purchaser need:

1. Analyze their spend through a Green Business Review that helps agencies easily identify opportunities to increase green purchases important to each agency's goals
2. Define their priorities to focus on specific product categories, economic goals, or an environmental issue
3. Implement the program by adding greener products to their contract or initiating tools such as a Green Select Cart that offers customers greener options when they select products
4. Measure results to assess what happened after implementation using a range of tools to measure an agency's green spend or quantify the benefits of recycled products
5. Recognize internal champions, including individual buyers and/or departments, for their efforts

This supplier has worked with several agencies to “green” their agency by reducing the total number of orders they placed, increasing their average order size, implementing a minimum order value, and offering the agency a green delivery program that reduces the use of corrugated cartons and air pillows. By implementing these programs the supplier was able to lower the agency’s overall procure to pay and carbon footprint.

A number of organizations, including the Sustainable Purchasing Leadership Council, Environmental Paper Network, Responsible Purchasing Network, U.S. Green Building Council, and the Association for the Advancement of Sustainability in Higher Education (AASHE), have tools to help procurement professionals calculate savings and estimate costs. In addition, the NIGP Business Council’s white paper, *Total Cost of Ownership (TCO): Realizing Procurement’s Full Potential in Value Creation*, has three Quick Reference Guides that provide a detailed list of variables, benefits, outcomes, and potential unintended consequences that will make it much easier for practitioners to think through more complex updates.

With this information in hand, practitioners can decide whether to proceed with a major upgrade. At this point, practitioners may need to consider their budget, as well as any legislative changes on the horizon. Even if they are unable to implement a full-scale solution right now, they could begin implementing a Sustainable Maintenance program. Maintenance is constantly being performed and one way to update and save is by “greening” existing conditions. Many suppliers now offer educational classes for maintenance professionals that address simple ways to use efficient products to save money and reduce maintenance calls.

Some of the most dramatic technology improvements in recent years that help drive efficiency center on light emitting diodes (LEDs). Although LEDs provided meaningful reductions in wattage compared to incandescent lighting, the price premium they commanded over equivalently efficient compact fluorescent lights (CFLs) may have made it difficult to justify the transition. In recent years, prices for LEDs have dropped and, because

LEDs have a 25,000+ hour rated life, the reduced maintenance and replacement costs of these bulbs alone pays for their small cost premium over CFLs. Investing in a new lower-cost LED bulb today will pay for itself in less than half a year if it is replacing an equivalent 60 watt bulb.

Along with lower cost bulbs, newer technology such as light fixtures with integrated LEDs has come on the market. These fixtures are similar to traditional light fixtures, such as track lighting, ceiling troffers, wall sconces, and ceiling fixtures, but they do not have sockets for light bulbs; rather, they have LED arrays built in and designed to provide efficient and even lighting. The design of integrated LED fixtures are not constrained by needing sockets for bulbs, so they are often significantly more efficient than LED bulbs and are one of the most efficient forms of commercial lighting available.

Scenario: School lighting system saves money and the environment

When one public school system was looking to cut overhead costs and reduce energy usage, they partnered with a supplier to update the lighting throughout the system, beginning with one high school. Working with the supplier, they decided that the best option to achieve the savings the school system wanted was to replace the high school's existing fluorescent tubes with modern LED lights. The supplier worked with the school system in every step of the process, from selecting products to coordinating labor to identifying purchasing discounts. The result was a complete LED lighting retrofit for the high school that replaced 6,000 bulbs in 3,000 fixtures, reduced energy usage by more than 1.5 million kilowatt hours (kWh), saved the school system more than \$170,000 over 18 months, and created better visual acuity for students. With initial installation costs approaching \$500,000, the school system expects to recoup its costs in approximately four years — a return on investment that goes back into the classroom.

Sustainability of intangible products or services

While the term *sustainability* is used primarily to discuss environmental impact, sustainability can also relate to intangible products and services that support the long-term

well being of an organization and the community it serves. When an agency is deciding which supplier will best meet its needs for intangible products or services, it is important to consider upgrading to sustainable products and solutions. Looking at sustainability from this perspective shifts the conversation from expenses to identifying the long-term sustainable cost savings. By asking suppliers the right questions about intangible products and services, an agency can achieve a more sustainable outcome in the long term:

- How will the supplier maintain the level of service provided beyond year one?
- How will their services be implemented?
- How will the agency's evolving needs be discussed and met beyond year one?
- What costs beyond year one can the agency avoid?

As the NIGP Business Council discussed in *Total Cost of Ownership (TCO): Realizing Procurement's Full Potential in Value Creation*, it is important to understand the comprehensive value that a services supplier is willing and able to provide over the long term, not just in year one. For an agency to realize the full potential in value creation when selecting intangible products and services, focusing on long-term sustainable cost saving strategies rather than the short-term benefits and product cost is critical.

Scenario: City and employees benefit from sustainable program

A large city was facing a number of challenges delivering and maintaining a sustainable employee benefits program. First, the city had a very small human resources staff with limited time and availability to coordinate open and ongoing enrollments. Second, the city was seeking more comprehensive solutions to communicate and educate a diverse employee population on the choices they could make with the benefits available. Third, the city needed scalability to educate and enroll 2,750 active employees in 59 locations throughout the city.

The city began working with a supplier that could provide benefit products and perform benefits education and enrollment services at no direct cost to the city. The supplier

provided an extensive communication and open enrollment promotional plan including custom email communications, website content, and customized benefit booklets at no additional charge. The supplier performed group meetings and face-to-face benefits counseling during open enrollment that reached 86 percent of employees. The supplier also provided scalable enrollment technology that integrated with the city's HR administration system to streamline payroll deductions. As a result, the city was able to increase employee awareness and understanding of the benefits available by working with a supplier that would sustain the level of services beyond year one.

From this experience, the city learned that the product cost was not the most important factor in achieving a sustainable outcome and ultimately placed the emphasis on the value of the purchase, rather than simply the cost of the product.

Financial benefits/forecasting/P2P costs

Suppliers are able to provide a number of financial benefits to an agency if the agency is willing to work with suppliers as strategic partners. Even when financing a purchase, procurement professionals can gain an advantage by having an in-depth discussion with suppliers about their needs and options.

When many agencies are financing purchases, they ask for rates. Rates are easy to compare, so it is a pretty straightforward process. However, if the agency has a supplier as a strategic partner, they can discuss many more options:

- Is buying better than leasing?
- Is the agency looking for low payments because they have a cash flow issue?
- Would renting a product be a viable option?

There are many funding variations that a strategic partner could work with an agency on, but without open and honest discussions the simple question of the interest rate might end up costing the agency more in the long run. For example, a supplier may offer multiple financing solutions that may include a non-appropriations clause for the agency. Some

agencies do not realize that they can execute an off-balance sheet product and still keep non-appropriations in play. Suppliers may also offer different payment terms (annual payments versus monthly payments) or longer terms for certain products. There are many financing variations that a strategic partner can discuss with the agency rather than simply comparing rates.

Agencies can also save money on equipment purchases by working with suppliers. When purchasing equipment, often agencies will release a specification for a particular sized product, such as a backhoe, so suppliers respond to the bid and provide their prices. However, there may be times when the requested item is not the best product for the job. The agency may actually be better off buying a skid steer and a mini excavator that would do the work better and be more cost effective. Only by talking with people that know the capabilities of the different equipment before issuing a solicitation or requesting prices can procurement personnel determine the right fleet mix.

The speed with which technology, telematics, and remote monitoring are growing and changing is astonishing. By being aware of how technology can save time and money, an agency could theoretically buy a product that would increase the purchase price, but ultimately save them money. For example, if an agency chose a motor grader that eliminates bounce, they would spend more money up front, but they would eventually save tens of thousands of dollars by reducing the number of passes needed in a season and the amount of gravel used to fix roads. The NIGP Business Council discussed this issue in great detail in *Total Cost of Ownership: Realizing Procurement's Full Potential in Value Creation*.

Scenario: City, state, and supplier coordinate to meet urgent demand

After a city switched the origin of its water supply, residents began to complain of foul smelling water. Soon corrosive and lead-containing properties were found in water tested from homes. The city and state needed a short-term option that would address citizen complaints while a permanent fix was engineered.

Because the state had a current contract with a supplier that had previously provided water filters to the city, the state asked the supplier for help purchasing large quantities of filters, replacement cartridges, and cases of water. In one week, the supplier was able to supply 70,000 water filters, 170,000 replacement cartridges, and 77,000 cases of water. Using the supplier's supply chain, tandem drivers transported units from manufacturers to the city often repeating an 11-hour one-way trip.

The state's existing contract facilitated fast, legal order placement, and the supplier's ability to significantly increase the state's line of credit to \$10,000,000 allowed purchasing to happen uninterrupted. The coordination between the state and the supplier's dedicated sales representative provided round-the-clock communication for the city and its Office of Emergency Management.

Socio-Economic Issues

Supplier diversity information

Many, if not most, government agencies have goals regarding the percent of participation they have with small and minority-owned businesses. The participation can be in the form of a percentage of their annual procurements, a dollar figure on their annual procurements, a ratio of spend of their small and minority suppliers compared to their large business suppliers, or some other version of a supplier diversity goal. Most large suppliers are equipped to support these goals and can even offer alternative information showing a benefit to small businesses if the agency procures through those large suppliers. Even companies that are not classified as small and minority-owned have some level of supplier diversity program that can be shared with the agency. Recognizing these initiatives can help suppliers support an agency's supplier diversity commitments.

Government agencies can also consider informing large businesses of any mentor-protégé opportunities with a small business to help enhance the small business's (protégé) sales capabilities by providing business development assistance from the large business (mentor). This assistance can vary with support for technical, financial, contractual, supply

chain, or other issues. These mentor-protégé programs are identified in detail on a variety of small business websites.

One pitfall of an agency promoting its supplier diversity program is creating a program that is so specific and restrictive that the agency gets limited participation from non-diverse businesses and hurts the agency's opportunity to get best value procurements.

Scenario: Large supplier aids local small business through university program

A local university was purchasing from a local women-owned small business and a large supplier concurrently, but the university also wanted to see how they could help the small business grow. The university had a mentor-protégé program that provided opportunities for the large supplier to help the small business with product availability and logistics support based upon both businesses agreeing to a compliance process with the university. These two businesses were provided information from the university about the opportunity that would benefit all three parties and, after completing/supporting the requisite requirements, a process was put in place for the large business to help the small business support the university's product needs. The process resulted in a multi-year sales increase of hundreds of thousands of dollars annually through that small business, benefiting the university by fulfilling their needs.

Scenario: Restrictive requirements can stifle competition

A city required that a certain percentage of its annual procurements (dollars) from a large business supplier had to be dedicated to the supplier's business with small businesses in that city's zip codes. So, if a large supplier sold the city \$100,000 in products one calendar year, the supplier had to show that \$25,000 in business was done with small businesses in that city's zip code. The \$25,000 in business could be directly or indirectly related to the specific procurements by the city to the large business.

Although the large business had demonstrated a significant amount of spend with small businesses in the surrounding area and even more in the state, the city did not enter a

purchasing agreement with that large business because they could not demonstrate spend in the city's specific zip codes. The city did not take into consideration the number of city residents employed by that large supplier. This is an example of an overly restrictive requirement that stifles competition and does not make the best use of taxpayer dollars.

Increased competition

Among the many benefits to agencies in recruiting and developing relationships with new suppliers, increased competition among suppliers is one of the most important. For an agency, increased competition can lead to lower costs and prices for goods and services, better quality, more innovation, and greater efficiency and productivity. When practitioners meet with suppliers before issuing a solicitation, they benefit from exchanging general information with suppliers and can also conduct relevant market research. And suppliers of all types benefit from the opportunity to discuss, demonstrate, and answer questions about their solutions.

By also reaching out to non-contract suppliers, practitioners remove the risk of relying solely on what they know from their current set of suppliers. Practitioners who talk with new or potential suppliers can learn from other industry experts about the latest advances in their fields and different ways of doing things. By leveraging knowledge from more suppliers, practitioners can expand their awareness of products, services, and technologies related to the procurement and gain a better understanding of what is available in the market. Having a greater understanding of developments in the marketplace is a first step toward achieving best value for the agency.

There are a number of steps an agency can take to attract competition, including releasing an RFI or a draft or streamlined RFP, and/or ensuring the solicitation is not structured around an incumbent or preferred supplier. The agency can also frequently publish and update solicitation release dates on the agency's website. Allowing alternate responses to RFPs gives suppliers the opportunity to present other options that could be beneficial to an agency. In addition, a pre-approval process for alternatives that had not been considered

by the agency would allow for more competition and consideration of potential solutions not identified in the RFP.

Some agencies have found that reaching out to the community to learn about new suppliers and educate them about how to do business with their agency can increase competition when they release a bid, provide a more efficient use of taxpayers dollars, and understand any local benefits of working with a specific supplier. When a supplier has the chance to interact with an entity prior to the solicitation, they are more likely to submit responses to the request for proposal/invitation for bid (RFP/IFB); more RFP/IFB responses mean more competition.

Using Suppliers as Resources

In 2015, the NIGP Business Council released a white paper entitled *The Healthy Agency-Supplier Relationship Guide*, which looked at ways procurement professionals and the supplier community could improve communication and outcomes through specific activities. These activities, such as developing a supplier communication plan, apply not only to contract-based interactions, but also to the relationship procurement staff and end users have with suppliers when not discussing or considering a specific contract. In addition, these interactions provide an opportunity for procurement professionals to discuss industry trends or new innovations.

Effective supplier relationship management and information sharing allows suppliers to understand an agency's current state of operations and that can lead to discussions about how to continue driving down costs through the proper product selection, training, equipment use, and maintenance. As the NIGP Business Council demonstrated in their white paper, by communicating with suppliers throughout the entire procurement cycle—pre-contract, bidding phase, and post-award—agencies can reduce contract inefficiencies and misunderstandings and deliver higher quality goods and services to the public.

Engaging with suppliers before initiating an RFP can help procurement professionals save time and effort by starting with an expert in the field. For example, if an agency is not leveraging a cooperative purchasing agreement and must go out to bid to procure intangible products and services, suppliers can be a valuable resource in helping the agency understand the full scope of the questions to ask for this type of procurement. Suppliers and peer leaders in other public sector organizations can also help an agency identify and leverage cooperative purchasing arrangements for intangible products and services. Although they are more commonly used when purchasing tangible items, cooperative purchasing allows public sector entities to legally purchase through a single contract without duplicating their own competitive bidding process.

Suppliers will also be able to provide questions and recommendations that procurement professionals should consider incorporating into RFPs when seeking intangible products and services:

- Do suppliers have recent customer satisfaction scores from organizations with a similar size, scope of work, and service agreement? Request satisfaction ratings from other customers with similar size and scope conducted by third-party sources and find out how often those scores are obtained. Peer reviews are a great way to compare competitive suppliers.
- What other relevant, value-added services do the suppliers provide their customers as part of their total value offering? Understanding what additional benefits and services might be available at no direct cost can help practitioners understand which supplier will provide the best long-term value.
- What training do suppliers have in place for their extended team that supports public sector entities? Understanding if a supplier's offering is specific and differentiated for the public sector can help procurement professionals ensure they understand the unique needs to their organizations.
- How do suppliers house/secure electronic records and private information? If an intangible product or services provider is using technology to support an agency's solution, it's critical that they have privacy and security standards on par.
- What are the most common ongoing service and maintenance transactions that the agency's extended team will be expected to execute? As a decision maker, it's important to understand employee's maintenance and transactional follow up and how those transactions are executed.
- Are suppliers' support models specialized to serve public sector entities differently than private sector entities? It can be helpful to know how a supplier's team is organized to support an agency's unique needs.

Achieving best possible outcomes begins with a quality relationship grounded in clear ongoing communication. Of course, getting on the same page is a two-way street that

requires the intentional engagement of the agency and the suppliers to understand the goals early in the procurement process. Doing so helps all parties achieve desired outcomes, as well as curtail inefficiencies in the contracting process.

Scenario: Cooperative purchasing agreement benefits schools and community college

A large city with more than 4,500 employees enjoyed a relationship with a long-standing supplier who consistently provided competitive pricing for benefits products and exceptional ongoing enrollment services. In 2016, the city renegotiated the terms of their agreement through the competitive bidding process, and the supplier was again awarded the contract.

Later in 2016, a school district and a community college were seeking similar financial protection products and enrollment services to support their combined 1,300 eligible employees. Like many other public sector entities, budgets were tight and resources to support the bidding process were limited. The school district and community college were able to obtain the same competitive pricing and level of enrollment services from the supplier that the larger city obtained by leveraging cooperative purchasing. In addition, the supplier offered a number of value added services within the arrangement that the public sector entities may not have known to ask for without the cooperative purchasing agreement in place.

Through partnerships with suppliers and peer organizations, these three public sector entities were able to streamline the competitive bidding process to obtain the intangible products and services they needed. As this example demonstrates, cooperative purchasing can be used for intangible products and service arrangements, not just physical goods.

Encouraging Suppliers to Provide Best Value

Over the past few years, the concept of best value procurement, coupled with longer-term agreements, has led to greater opportunities for practitioners to work in a more collaborative manner with the supplier community to deliver higher quality goods and services to the public with the most efficient use of taxpayer monies. This is a positive development in the public sector, and it is important to remember that the success of the procurement process is contingent on the conscious effort and cooperation of both agencies and the suppliers. Misperceptions and misunderstandings between buyers and suppliers contribute to inefficiencies and missed opportunities for the best possible outcomes that both government agencies and their suppliers desire. By putting a few processes in place, procurement professionals can encourage suppliers to provide best value. These processes include:

Supplier communication plan: With a supplier communication plan in place, practitioners get an opportunity to ensure early, frequent, and constructive communication during key phases of the procurement process prior to a contract and throughout the life of a contract. A successful communication plan provides better direction to the procurement and applicable agency staff and clarifies the nature and schedule of engagement opportunities for the industry. The plan will outline guidance as to how the agency will reduce unnecessary barriers, publicize communication opportunities, and prioritize engagement opportunities for high risk, complex programs or those that fail to attract new suppliers during re-competitions.

Hold industry days, procurement fairs, reverse trade shows, or pre-proposal conferences: These events give an agency opportunities to provide information about their requirements, key contacts, and decision-makers to potential bidders; answer questions; and use supplier feedback to improve their solicitations. Suppliers who attend these sessions can learn about the agency's current and upcoming plans and programs,

while the agency can use these forums to educate suppliers about their licensing and insurance requirements, bonding, and other essential aspects of doing business with the agency.

Opportunities to ask questions: Allow bidders to submit and receive answers to questions in an anonymous environment or through one-on-one discussions with procurement personnel that align with the agency's policies. Also establish a single point of contact for bidders to ensure they receive consistent answers and the same information.

Communication or meetings with the contract holder: Use monthly, quarterly, or biannual meetings to discuss additional needs and expectations and provide suppliers the opportunity to develop solutions. These meetings give the agency an opportunity to offer feedback regarding products, service, delivery, etc., and allow for an open line of communication to talk about what is going well and areas for collaboration or improvement. Particularly with new contracts, ongoing meetings can help create a collaborative effort and resolve any miscommunications or issues quickly. Agencies can also derive data from these meetings that can be incorporated into future solicitations or contracts.

These are just a few of the steps that practitioners and suppliers can take to strengthen their relationships and allow suppliers to add value to the procurement process. For additional actions that practitioners and suppliers can take, please refer to the NIGP Business Council's *The Healthy Agency-Supplier Relationship Guide*.

The Benefits of Reassessing Contracting Strategies and Performance Metrics

Contracting Strategy:

Various contracting strategies exist for agencies looking to explore different cost and time savings options. For example, agencies that have not explored cooperative purchasing agreements may wish to consider the advantages of these agreements: lower procurement costs, an expedited procurement process, and leveraged pricing.

When an agency participates in a cooperative purchasing contract, a similar government agency has already spent the time and money to prepare and issue a solicitation, review offerings, and complete the award process. Additional agencies then review the process the “lead” agency used. If another agency deems the process acceptable, they can piggyback on the agreement provided their laws cite it is acceptable to participate in cooperative agreements.

An additional benefit to an agency participating in an agreement is that they can gain insight from the lead agency on the relationship that agency has with a supplier (or group of suppliers) to understand and determine what type of relationship they might have to manage with that supplier. This understanding can provide information on successful relationship management or tenuous relationships a particular supplier may have with a similar agency.

For more information on cooperative purchasing agreements, please refer to the NIGP Business Council’s 2016 white paper, *Total Cost of Ownership: Realizing Procurements Full Potential in Value Creation*.

Performance metrics:

NIGP's Public Procurement Practice, Performance Based Contracting, established a standard that procurement organizations can implement to improve performance and lower costs by using performance based contracts that 1) describe the requirements in terms of results required rather than specifying how the work is to be accomplished; 2) set measurable performance standards; 3) describe how the contractor's performance will be evaluated in a quality assurance plan; and 4) identify and use positive and negative incentives, when appropriate.

Provided the contract requirements are achievable and agreed to by both parties—and comply with the agency's procurement guidelines—the best contracts include periodic performance reviews and ongoing communication. Not only does the supplier community need to have a good understanding of what success is, they also need to understand how the agency plans to measure and benchmark that success.

Agencies need to develop methods to evaluate supplier performance. Once a contract is awarded, the agency can engage the supplier in a review of performance evaluation criteria to affirm there is mutual understanding of what will constitute success. If the agency feels that they can easily reach the supplier to provide feedback on contract fulfillment, then the contract holder is better able to express performance issues or positive comments, quickly and with specifics, which allows the supplier to rapidly address any issues. Similarly, once suppliers are confident they understand the total value proposition of what they have been contracted to execute, they will be more likely to consistently meet—or exceed—the expectations of their customer. Actively maintaining ongoing communication between the agency and the supplier helps provide a high-quality, successful partnership rather than the traditional, transactional agency–supplier, customer–supplier relationship. Getting more out of these relationships is a win-win for everyone.

NIGP's Public Procurement Practice, Performance Measurement, establishes a standard that procurement professionals have a performance measurement system that assesses progress towards achieving the strategic plan. If the agency has such a plan, tie the agency's return on investment (ROI) or metrics to the scorecard. One method that many agencies have used is a "Contract Report Card," which provides supplier expectations and measurements. Create a mechanism to provide suppliers with "meets expectations" and "does not meet expectations" lists.

Agencies also need to create accountability metrics for key suppliers. A key supplier designation would be based on the annual spend or how critical the supplies are to the agency's successful operations. The Supplier Relations Management (SRM) metrics should, at least in part, reflect the evaluation criteria from the RFP or the contracting process. The criteria for the SRM metrics can include price compliance, adherence to technical and performance specifications, delivery timing or speed, ease of procurement, and other metrics determined by the agency to represent success.

Conclusion

The Business Council's objective for creating *The Supplier-Practitioner Connection: Adding Value to Procurement* is to increase awareness and educate procurement professionals about ways in which suppliers can provide information to help agencies move away from short-term benefits and lowest price supplier selection while increasing transparency and efficiency.

We appreciate the conversations with and suggestions from our public procurement partners, many of which are included in this paper. By integrating into their procurement process the ideas outlined in this paper and working in a collaborative manner with the supplier community, procurement professionals should be able to gain a greater understanding of the most up to date, efficient, and cost effective options in the marketplace; better support their agencies' sustainability and supplier diversity commitments; and deliver higher quality goods and services to the public with the most efficient use of taxpayer monies.

For more information

If you have any questions about the Business Council, please contact Belinda Sites at bsites@nigp.org.

Additional Resources

The Resource Center at www.nigp.org has a range of tools developed to support your day-to-day activities and help you effectively manage your procurement organization. At the Resource Center you'll find NIGP's Online Dictionary of Procurement Terms; a library with thousands of solicitations and templates, publications, and research to assist you with your solicitation development activities; sourcing tools to help you with day-to-day supplier research and due diligence; and management tools, guidance about best practices, and publications focused exclusively on topics relevant to public procurement.

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Quick Reference Guide #1: Evaluating Supplier Performance

In the NIGP Business Council white paper, “The Supplier-Practitioner Connection: Adding Value to Procurement” we discuss the benefits of reassessing contracting strategies and performance metrics. This can serve as a quick reference guide as you consider ways to establish expectations, set performance standards, and develop evaluation criteria to measure supplier performance.

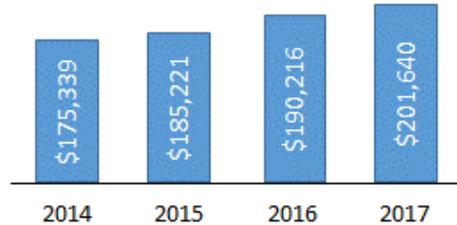
Supplier Performance Metrics

- Price compliance
- Adherence to technical or performance specs
- Delivery
- Adoption by agency
- Warranty claim experience
- Return policy experience
- Products/services purchased
- Inventory
- Compliance with invoicing terms
- Agency payment record
- New product or service availability
- Financial stability
- Key staff performance
- Sustainable practices

Supplier Performance Scorecard

XYZ Agency

Total Agency Spend



Account Characteristics

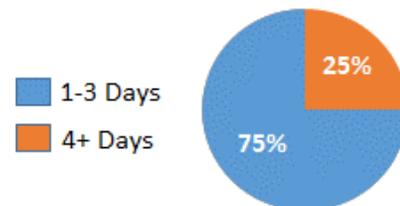
	12 Months	June	May	April
Active Accounts	10	7	7	8
Total Spend	\$201,640	\$17,803	\$16,115	\$16,492
Total Orders	276	37	22	29
Average Order Size	\$731	\$481	\$733	\$569

Category	Spend	%
Copiers	\$127,912	63.4%
Paper	\$35,889	17.8%
Lighting	\$16,791	8.3%
Electrical	\$9,293	4.6%
Plumbing	\$11,755	5.8%
Total	\$201,640	100.0%

Purchase Method

Channel	Spend	%	Orders	%
Phone	\$42,344	21%	33	12%
Online	\$131,066	65%	221	80%
Counter Sales	\$28,230	14%	22	8%
Total	\$201,640	100%	276	100%

Delivery



Fulfillment

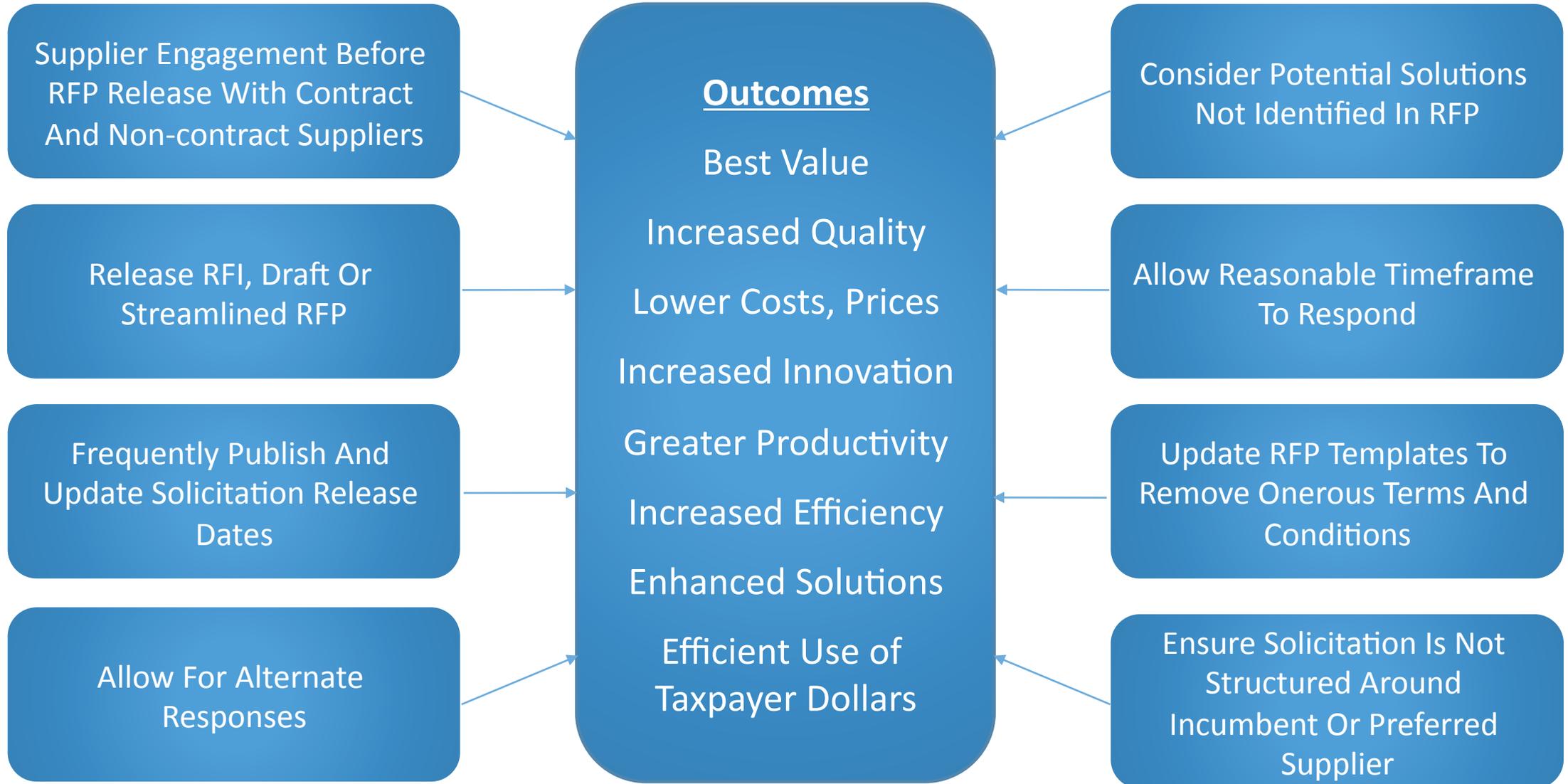
Orders	276
Order Fill Rate	98.4%
Returns	0.8%

Account Coverage

% of Accounts Covered	100%
Sales Representatives	6

Quick Reference Guide #2: Increased Competition

In the NIGP Business Council white paper, “The Supplier-Practitioner Connection: Adding Value to Procurement” we discuss the benefits of increased competition and how it adds value to procurement. This chart can serve as a quick reference guide for steps your agency can take to attract competition and the positive outcomes of increased competition.



THE SUPPLIER PRACTITIONER CONNECTION: ADDING VALUE TO **PROCUREMENT**

PROCUREMENT

COLLABORATIVE SHARING

SUPPLIER

CHALLENGES

REDUCED BUDGET

SOCIOECONOMIC CONCERNS

STAFF LIMITATIONS

INCREASE COMPETITION

NO E-PROCUREMENT SYSTEM

OPERATIONAL CONSTRAINTS

LIMITED MARKET INFORMATION



BENEFITS

COST SAVINGS

EFFICIENCIES

BEST PRACTICES

SUSTAINABLE PRACTICE

INNOVATION

MARKET INTELLIGENCE
ANALYTICS / BENCHMARK / FORECAST

GETTING TO "WE"



FINANCIALLY RESPONSIBLE GOVERNMENT



PROCUREMENT ALIGNED WITH INDUSTRY STANDARDS



SUPPLIER UNDERSTANDS AGENCY NEEDS



BETTER PERFORMANCE METRICS



OPPORTUNITY FOR INNOVATIVE SOLUTIONS

SUSTAINABLE MAINTENANCE EXAMPLE

A public school system worked with a supplier to replace the high school's florescent tube lighting with modern LED lights to cut costs and reduce energy usage.



THE RESULTS



REPLACED 6,000 BULBS IN 3,000 FIXTURES



MATERIALS COST REDUCED BY 46% THROUGH BULK PURCHASING AND UTILITY REBATES



REDUCED ENERGY USAGE BY MORE THAN 1.5 MILLION KILOWATT HOURS (kWh)



MORE THAN \$170,000 SAVED OVER 18 MONTHS THROUGH ENERGY COSTS AND DISCOUNTS

COMMON GOOD
Ultimately Benefit the Community



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