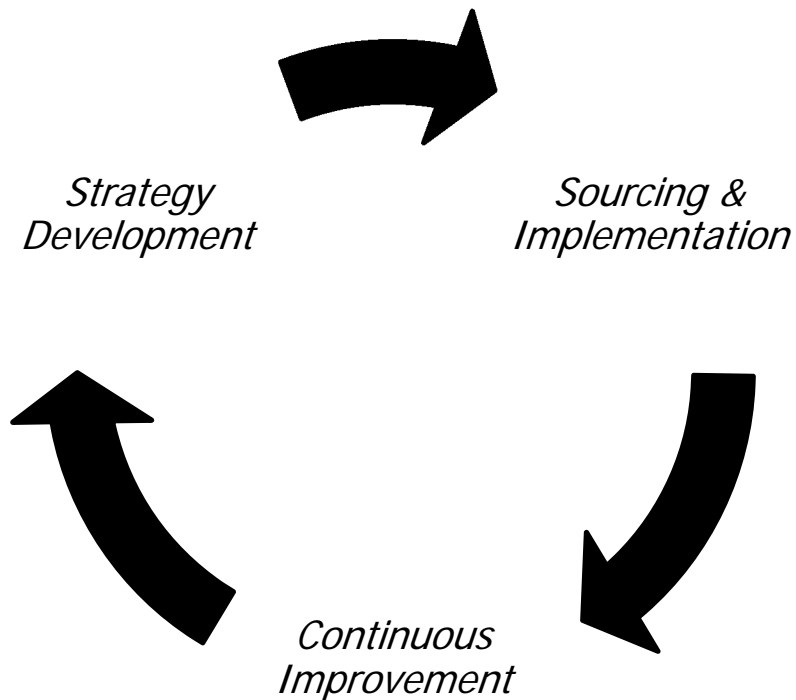


OFFICE OF STATE PROCUREMENT

STRATEGIC SOURCING MANUAL



Date of Issue: October 2015
Version 1

RECORD OF CHANGES

Version Number	Date	Person Making Change	Comments

Contents

I. Introduction.....	4
A. Purpose	
B. Overview	
C. Definitions & Acronyms	
D. Roles	
II. Identifying Commodities for Strategic Sourcing.....	11
A. Top 100 Project	
B. P-card Project	
C. SPO Interviews	
D. Vendor Input	
E. Agency Interviews	
F. Cross Functional Teams	
G. SPO Commodity Assignments	
III. Process.....	16
A. Strategy Development	
B. Sourcing and Implementation	
C. Continuous Improvement	
IV. Reporting Tools.....	34
A. Running Reports	
B. Sorting Reports	
C. Data Analysis	
V. Appendix.....	37
A. Sample Language	
B. Reference Information	

I. INTRODUCTION

What is Strategic Sourcing?

Strategic Sourcing is a method of managing procurement processes for an organization in which the procedures, methods, and sources are constantly re-evaluated to optimize value to the organization by allowing them to buy more effectively and efficiently. Strategic sourcing, which is considered a key aspect of supply chain management, involves elements such as examination of purchasing budgets and the landscape of the supply market, negotiation with suppliers, and periodic assessments of supply transactions. This process transforms the procurement function from a **tactical** operation to a **strategic** and competitive advantage for the organization.

Recurring Themes	Tactical (Traditional)	Strategic
Mindset	Lower unit purchase price	Competitive advantage
Responsibility	Purchasing function	Procurement process (purchasing, operations, maintenance)
Procurement Strategy	Lower unit purchase cost, manage transactions, troubleshoot	Total value, total cost of ownership, total system cost
Time Frame	Periodic, one-time	Ongoing category management
Length of Relationship	Short term	Long term, indefinite
Quality	Conformance to specifications	Fitness for use
Supplier & Agency Communication	Infrequent – Focus on purchase orders, contracts, legal issues	Frequent exchange of plans, ideas, improvement ideas, etc.
Inventory	Considered an asset	Considered a liability
Supplier & Agency Interaction	Discouraged	Required (collaboration)
Contract Management	Periodically reviewed or not maintained at all	Tool to track supplier compliance, milestones and improvements
Keys to Success	Ability to negotiate	Ability to identify opportunities and collaborate with agencies/suppliers

A. PURPOSE

The purpose of this document is to provide a workable procedure for the Strategic Sourcing methodology of procuring goods and services for the State of Louisiana. The Strategic Sourcing methodology provides the State with a process to reduce spend on key categories, reduce operating expenses, and drive improved supplier performance.

B. OVERVIEW

Strategic Sourcing is a rigorous and disciplined approach to sourcing based on the recognition of the importance of spend category, accurate spend data, and using this knowledge to influence the supply market. Strategically sourced agreements result in lowest total cost of ownership for the State of Louisiana, drive improved supplier performance and maintain (or improve) the quality of required goods and services. States that have implemented strategic sourcing initiatives have been successful in achieving cost reductions.

WHY IS STRATEGIC SOURCING IMPORTANT?

- ❖ Organizes thoughts about an approach to leverage spending
- ❖ Creates collaboration across and among State agencies
- ❖ Encourages creative thinking about supplier relationships and encourages supplier input and collaboration
- ❖ Focuses on opportunities to generate savings in targeted spending areas
- ❖ Requires a development of new thinking about performance metrics
- ❖ May lead to other forms of value as well, such as:
 - Quality improvement
 - Improved internal teamwork and communication
 - New sources of supply not previously considered
 - Streamlined business processes (internal and external)
 - Innovation in the relationships with key suppliers

WHAT ARE THE BENEFITS OF STRATEGIC SOURCING?

- ❖ Utilizes a proven process to achieve accelerated results
- ❖ Provides opportunities for operating budget reductions
- ❖ Creates a framework to streamline the process of identifying and capturing future savings and efficiencies
- ❖ Encourages greater cross-departmental, cross-agency, and cross-functional coordination
- ❖ Consolidates and leverages spend and supplier base across the State
- ❖ Achieves lowest total system cost for products and services through favorable pricing, defined standards, and refined policies and procedures

C. DEFINITIONS AND ACRONYMS

NOTE: none of the definitions provided here are intended to replace or change the legal definition for terms defined in the Revised Statutes of the State of Louisiana's Procurement Code sections 39:1551 et seq.; or, any other sections of the Revised Statutes relative to procurements.

1. **Analyzing Data** -The process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making.
2. **Category and Supply Market Evaluation** – Assessing current and future category spend and internal/external supply market information to understand and project the State's ability to influence the supply market and facilitate better decisions by the State.
3. **Category Prioritization Matrix** – Tool used to prioritize categories to determine which ones to strategically source.
4. **Category Profile** – A detail of the type of category that is being sourced, spending patterns and trends for the commodity or category, and its primary use in the business. Defining the category and the commodities in it.
5. **Category Strategy** – Defining a sourcing strategy for each commodity or category of spend by synthesizing the findings of the Commodity Profile and Market Analyses by explicitly defining a strategy and rationale that can be used to lower costs
6. **Continuous Improvement** - An ongoing effort to improve products, services or processes.
7. **Contract** - A promise or set of promises that creates obligations that may be enforced in a court of law. NOTE: this definition is not intended to replace or change the legal definition for “contract” as noted in R.S. 39:1556(11).
8. **Create Opportunity Assessment** – To collect, clean, consolidate and evaluate State's historical spend data.
9. **Data Gathering/Cleansing** – Collecting data from all possible sources (e.g. ISIS, P-Card, agencies, suppliers) and making sure it is unduplicated and free of errors.
10. **Evaluation Criteria** – The defined standard used in comparison when evaluating suppliers in a sourcing event.
11. **ITB** – Invitation to Bid.

12. **Market Analysis** – Collecting and organizing internal and external supply market data (e.g. market size, suppliers, capacity utilization, barriers to entry, etc.) to create an overview of the supply market, its market trends and commercial best practices for lowering acquisition costs and reduce total cost of ownership
13. **Market Assessment Category Positioning** – Combine criticality of category with State's ability to influence the supply market to identify appropriate quadrant within the strategic sourcing matrix.
14. **Maverick Spend** - Purchases by employees that occur outside of the organization's guidelines, negotiated agreements and contracts.
15. **Multiple Award** - Contracts awarded to more than one supplier for comparable supplies and services.
16. **Needs Assessment** - A systematic process for determining and addressing needs, or "gaps" between current conditions and desired conditions or "wants".
17. **Negotiation/Form Recommendation** – This recommendation is the result of a process resulting from the negotiation and selection of supplier(s) and defining the requirements of an award contract(s). The process includes development of a supplier shortlist and negotiation strategy, negotiating with potential supplier(s) and selecting the supplier(s) and awarding the goods or services.
18. **OEM** - Original Equipment Manufacturer.
19. **Performance Review** – A monitoring process to continuously improve both the State and supplier's performance.
20. **Reverse Auction** - A bidding event or process where the role of buyers and sellers in an auction are reversed, typically utilized in a business-to-business procurement function. Rather than having one supplier with multiple buyers competing to pay more to obtain the good or service for sale, a reverse auction involves a buyer inviting numerous suppliers to compete on who can provide the desired good or service at the lowest price while meeting the necessary requirements.
21. **RFI** - Request for Information.
22. **RFP** - Request for Proposal.
23. **Risk Evaluation** – Combining internal and external market analysis to identify areas of vulnerability and risk related to each spend category.
24. **ROI** - Return on Investment.
25. **Sole Source** - An acquisition where, after a search, only one supplier is determined to be reasonably available for the required product, service or construction items.

26. **Sourcing Event** – The event anticipated to result in the selection of a supplier(s) that best meet the needs of the organization, inclusive of development of evaluation criteria and the core supplier list, development and conducting of the bidding event and the evaluation of the responses to determine which supplier(s) will be included in contract negotiations.
27. **Sourcing Strategy** – A structured approach for each spend category that will achieve the greatest sustainable impact on total cost of ownership. Includes analyzing your spend to continually improve cost savings processes. The combination of fully understanding the spend category, the assessment of your supplier market, and survey of the market to assess its capability and capacity to meet the state’s requirements, along with a determination of the best solicitation or negotiation strategy to achieve your objectives.
28. **Spend Analysis** - The activity of collecting corporate spend data from various data systems, including ERP, accounts payable, invoices, etc., to provide an understanding of what a company spends on materials and services, with whom, and for what.
29. **Spend by Category** - A grouping of types of spend/expense.
30. **Stakeholder Engagement** – Involving people/entities who may be affected by the decisions made; or, can influence the implementation of the decisions made during the strategic sourcing process.
31. **Strategic Sourcing**-A method of [managing procurement processes](#) for an [organization](#) in which the [procedures](#), [methods](#), and [sources](#) are constantly re-evaluated to optimize [value](#) to the organization.
32. **Supply Chain** – Encompasses the steps it takes to get a good or service from the supplier to the end customer. Includes a system of organizations, people, activities, information, and resources involved in moving the product/supply from supplier to customer.
33. **Supplier’s Sales Team** –A team of supplier staff members that may include the local, regional, headquarter sales and marketing staff. Some teams may also include SME outside of the sales/marketing staff such as legal and/or commodity technical experts.
34. **SWOT Analysis**-SWOT analysis (strengths, weaknesses, opportunities and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a commodity.
35. **Top 20 Category Vendors** – Top 20 vendors in spend in a given category.
36. **Total Cost of Ownership (TCO)** - The purchase price of a product and its operating costs, plus training, maintenance, warehouse/logistics and environmental costs, minus the salvage value.
37. **Transition Costs** – The upfront costs associated with changing suppliers.

38. **Transition Plan** – Secure resources, identify actions and establish timeline required to transition State to the new service or supply arrangement.

39. **Validating Data** - the process of checking database to ensure that the information gathered from different data sources is clean, accurate and in a standard format.

D. Strategic Sourcing Position Roles and Responsibilities

State Procurement Director

As Chief Procurement Officer for the state, serves as statewide procurement expert for the state and directs and coordinates statewide procurement functions. Provides administrative direction to the State Procurement Deputy Director and direct line supervision over State Procurement Managers and other lower level staff. Manages senior leadership level relationships across the State to communicate and obtain support of procurement initiatives.

State Procurement Deputy Director

Directs and administers the procurement and monitoring of all strategically sourced statewide and agency initiated procurements, including professional, personal, consulting and social service contracts, grant agreements and cooperative endeavor agreements. Coordinates and manages the work activities of the State Procurement Managers to achieve targeted outcomes. Responsible for developing, communicating, and maintaining the overall Strategic Sourcing Plan. Operates within delegation of authority determined by State Procurement Director.

State Procurement Assistant Director

Provides support to all Strategic Sourcing teams and serves as subject matter experts in the areas of legal issues, RFPs, training & compliance, contracts, and other complex services and unique procurement requirements and/or processes. Ensures compliance with statutory, regulatory and policy requirements. Responsible for other special project requirements as assigned by the State Procurement Director.

Chief Analytics Officer

Serves as principal assistant and data analytics/financial analysis adviser and subject matter expert to Assistant Commissioner and Director of State Procurement and Strategic Sourcing Manager(s) and their commodity teams. Responsible for supporting Strategic Sourcing Teams in the area of data analytics by providing commodity specific strategic sourcing activities and financial analysis. The Officer and his staff serve as the primary contact for providing source data.

State Procurement Manager

Serves as assistant and administrative advisor to the Chief Procurement Officer of the State and the State Procurement Deputy Director. Directs and manages a team of State Purchasing Officers 1-3 and Lead Worker. Manager has full responsibility for the negotiation; sourcing strategy development; and execution of procurement processes and activities for key commodity spend throughout the state. Responsible for ensuring total compliance with all applicable state procurement and contracting law, rule and policy applicable to these processes/activities. Operates within delegation of authority determined by State Procurement Director.

State Purchasing Officer (Lead Worker)

Reports directly to the State Procurement Manager and is the main point of contact for all day-to-day processing of assigned contracts and strategically sourced procurements.

II. IDENTIFYING COMMODITIES FOR STRATEGIC SOURCING

When identifying commodities for strategic sourcing, assume limitations of staff resources and time. With that in mind, it is essential to establish a priority for identifying commodities for which the “full-blown” strategic sourcing methodology will be used. As a rule, the category sourcing strategies for all commodities will be dependent on that commodity or category’s importance to the State and the scarcity of products that meet business requirements.

To the degree feasible, it is highly recommended that at least some of the steps of the methodology be used in consideration of all commodities purchased by OSP. At a minimum, all purchase requests should receive a review for compliance with the entire strategic sourcing methodology based on its cost impact on the state (i.e. volume or value purchased, need for item, etc.) and supply risk/criticality (i.e. product availability, # of suppliers, ease of switching supplier, availability of substitute items, etc.)

A. Top 100 Project

The Top 100 project is designed to determine the vendors receiving the most state spend for commodities/services. The project is based on information pulled from ISIS/LaGov using the Business Objects reporting software. Once the high spend vendors are identified, further research is required to define which commodities are associated with these vendors.

Top 100 Project Instructions:

1. Identify the Data Source(s)

Top 100 is meant to give a big picture of where the State is spending its procurement money, so the data used should ideally be comprehensive in terms of expenditure categories, duration (a year, minimum) and departments/agencies involved. As a result, you can quickly eliminate some options (vendor usage reports; ISIS-only reports; LaGOV-only reports; etc), and instead select other ones (LaTrac and p-Card data sets are both very good options, but there may be more).

2. Sanity-Check It

Is anything obviously missing? Is the Division of Administration shown? Is DOTD? Et cetera. If anything’s off, check for errors.

3. Purge Non-Procurement Data

Many of the biggest entries in raw data will include categories not related to procurement (Salaries, Related Benefits, Other Compensation, Aid to Local Government, etc.). This data is to be deleted. Some (such as Other Charges, Travel, Capital Outlay, etc.) may or may not be relevant depending on the project. Others (Supplies, Operating Services, Professional Services) are essential.

4. Create a Pivot Table

At this point, there will likely be tens of thousands of rows of raw data, which is not suited for easy analysis. Creating a Pivot Table is an easy and effective way to present complex data in a streamlined way. Consult **Appendix B** for more information on how to create a basic Pivot Table.

5. Sort by Vendor

Once the Pivot Table has been created, sort it by values (in descending order: largest to smallest). This will provide a list of the State's major vendors and the annual "spend" associated with them.

6. Eliminate the Political Subdivisions and State Agencies

Many of the vendors listed will be political subdivisions and agencies of the State. These are not true vendors, and payments to them generally do not constitute procurement expenditures subject to Strategic Sourcing, so these entries are to be eliminated entirely.

7. Validate and Categorize the Vendors

Look over the list of vendors and investigate what each one does. A quick and easy way to do this is to Google the vendor name. Create a new column off to the right of each vendor and assign a category. For example, if the Pivot Table shows "LA Health Services and Indemnity Co." write "Insurance" in the adjacent column. Other vendor names may look strange (such as "Dummy for Machine Processing", which is an accounting balancing entry in ISIS), and their entire row can be deleted once you've validated that they're not a true vendor.

8. Summarize Data and Look for New Trends

When reviewing the vendor categories just assigned, look for trends among the Top 100. Are there consistent industries that may be suitable for new or continued Strategic Sourcing? If so, make a note of this and pass along the observation, along with information about the vendor spread and spend for the category based on your analysis.

9. Repeat As Needed

Go through all steps again every 6 months or so, and/or broaden your search beyond just the Top 100, to analyze trends in the Top 200, or Top 500, even. Doing this will create a good picture of where, when, why and for whom the State is spending money on procurement activities.

B. P-Card Project

The P-card project is designed to analyze the total state spend for commodities/services acquired via the purchasing card. The information is sorted by commodity, agency, and vendor to allow for spend analysis from several different perspectives.

The blend of commodity spend information from various identified sources (i.e. Lagov, AFS, vendor activity reports, etc.), in addition to P-card spend, provides a comprehensive representation of commodity spend.

P-Card Project Instructions:

1. Pull data for the previous fiscal year from the Works system

In order to run the report required for this project, universal access in the Works System is required. See the Works System Administrator to gain access. This information includes state agencies and higher education entities. No political sub information is captured in the Works system.

2. Purge all EVP data

Many entries in the raw data will include reference to the EVP program. These entries are to be deleted.

3. Normalize the Data

Sort data on Commodity Description – scroll through the report; make sure all references for a particular agency read exactly the same; many descriptions will read the name of the vendor (Marriott, United Airlines, Office Depot, etc) – overwrite the description with the generic name for that commodity (Lodging, Airlines, Office Supply Stores, etc)

4. Create a Pivot Table

At this point, there are likely hundreds of thousands of rows of raw data, which is not suited for easy analysis. Creating a Pivot Table is an easy and effective way to present complex data in a streamlined way. Consult **Appendix B** for more information on how to create a basic Pivot Table.

5. Validate the Top Commodities

Look over the list of commodities. Investigate if any commodities can logically be combined. Ask if the spend for the commodity is logical. Look for errors in the data.

6. Summarize Data

Focus on the largest spend commodities first. Research whether or not the top commodities have been strategically sourced recently. Provide recommendations on the areas where the largest savings are likely. Continue to move down the list until you've reached commodities with minimal/insignificant spend statewide.

7. Repeat As Needed

Repeat all steps again, annually, at a minimum. This will create an updated picture of areas that should be strategically sourced in the near future.

C. SPO Interviews

The State Procurement Officers (SPO) charged with executing and monitoring vendor contracts have an in-depth understanding of their commodity assignments. These individuals hold a unique perspective based on knowledge gained from both agency and vendor interaction. As a result, the SPOs recommendations regarding commodities with significant opportunities for improved pricing is considered of great value in the process.

SPOs have knowledge of potential opportunities to generate savings and lower the total cost of ownership. Some of these areas may include:

- ❖ Tightening/loosening specifications
- ❖ Combining similar commodities into one contract
- ❖ Mandatory usage
- ❖ Emerging market trends
- ❖ Improvements related to new technology
- ❖ Potential for new/increased rebates
- ❖ Other areas

Seize savings opportunities as they reveal themselves; not necessarily only at contract expiration. Move forward renegotiating/rebidding a contract when information suggests a clear opportunity for cost savings.

D. Vendor (Supplier) Input

Most of the goods and services used by the state each year are provided by outside suppliers from the private or non-profit sector. This group, generally knowledgeable about the emerging trends in the market, can also provide valuable guidance on how to write specifications and ask for the items that meet agency needs while yielding the best overall prices. Regular interaction between SPOs and vendors will increase awareness of strategic sourcing opportunities.

Vendors have knowledge of potential opportunities to generate savings and lower the total cost of ownership. Some of these areas may include:

- ❖ Tightening/loosening specifications
- ❖ Combining similar commodities into one contract
- ❖ Mandatory usage
- ❖ Emerging market trends
- ❖ Improvements related to new technology
- ❖ Potential for new/increased rebates
- ❖ Other

As vendors present opportunities for better pricing, move forward with rebidding the item if the cost/benefit ratio proves advantageous. Seize savings opportunities as they reveal themselves; not necessarily only at contract expiration. Move forward renegotiating/rebidding a contract when information suggests a clear opportunity for cost savings.

E. Agency Interviews

State agencies (including Higher Ed and Political Subdivisions) are the consumers/customers of the work performed at the Office of State Procurement. Oftentimes, the agencies deal closely with the vendors and are privy to information and/or negotiation opportunities that OSP does not have. Periodically, agency interviews should be conducted to gather input in regards to areas eligible for improved pricing.

REMEMBER:

- ✓ Be sure to include Higher Ed and Political Subdivisions.
 - ❖ Interview agencies to ensure that their exact needs are being met; not less than and not more than the true need
- ✓ Ask agencies to offer ideas regarding opportunities to generate savings and lower total cost of ownership:
 - ❖ Tighten/loosen specifications
 - ❖ Emerging market trends
 - ❖ Improvements related to new technology
 - ❖ Other suggestions
- ✓ Move forward renegotiating/rebidding contract when research suggests a clear opportunity for cost savings.

F. Cross-functional Teams

Though the SPO may spend some time discussing pertinent subjects with both the vendor (supplier) and/or agency liaison(s), individually, some discussions are best held together collaboratively with these parties. Where appropriate, other subject matter experts from within or outside of the OSP, agency and vendor teams should be included in discussions.

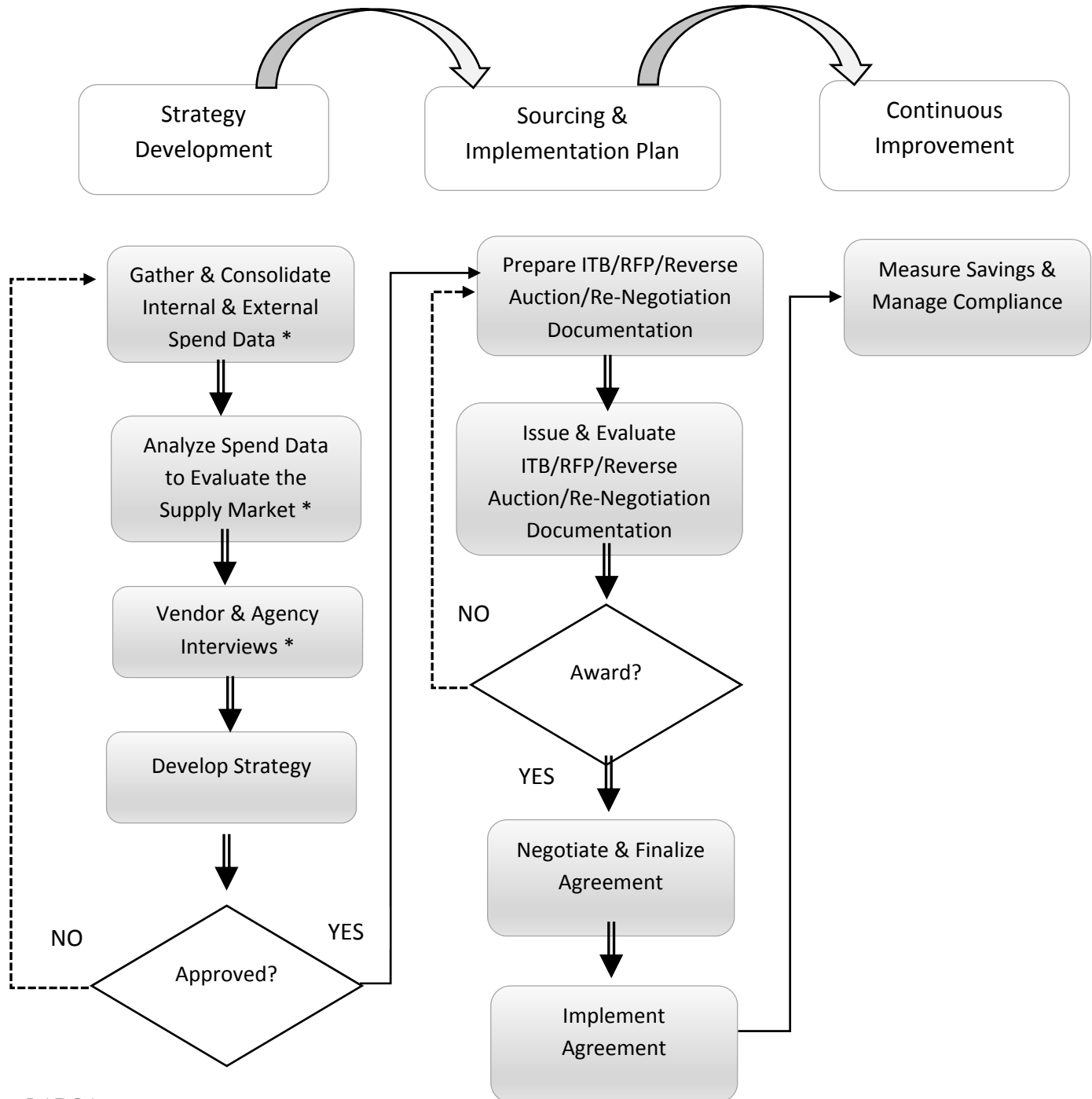
G. SPO Commodity Assignments

A list of commodities to be strategically sourced will be created from the methods mentioned above. The next step is to assign a SPO to each commodity on the list. Ideally, the SPO with responsibility over the statewide contracts for that commodity would be the Strategic Sourcing SPO. If that SPO is not available or the commodity is not on a statewide contract, current workload, experience, skill set and manager input are to be considered in determination of the commodity assignment.

III. PROCESS REVIEW

Below is a process flowchart to indicate the required steps of the Strategy Development, Sourcing & Implementation Plan and Continuous Improvement key aspects of the Strategic Sourcing Methodology. By following these steps, you are virtually assured a disciplined and educated approach to satisfying the methodology requirements.

STRATEGIC SOURCING PROCESS FLOWCHART



A. STRATEGY DEVELOPMENT

The activities performed during Strategy Development include internal and external research and analysis, vendor and agency interviews, and developing the category strategy. The first three steps are not necessarily done consecutively. For instance, an agency interview may need to be utilized to gather spend data. Furthermore, the internal and external research can be conducted concurrently. Strategy Development should take approximately 3 months.

1. Gather and Consolidate Internal and External Spend Data and Market Information

a. Internal Data and Market Information

The goal here is to identify the internal spending habits of the State as they relate to the category or commodity being investigated. There are four main tasks to be completed: collect spend data, cleanse and normalize spend data, validate spend data, and categorize spend data.

✓ **Collect Spend Data**

Gather the State's historical spend data from all possible sources. Include purchase orders, direct payments, and LaCarte or Fuel Card purchases if applicable. Remember to expand the search beyond just contract spend. All purchases in the category should be examined.

Potential sources of this data include Data Warehouse reports, OSP Strategic Sourcing reports, state agencies, and vendors. Vendors are often the only source of reliable contract spend as they capture contract spend from the political subdivisions and other cooperative purchasing entities. Use the Vendor Usage and Spend Information Excel Workbook when requesting information from vendors.

✓ **Cleanse and Normalize Spend Data**

Make the data gathered above consistent. This includes eliminating duplicates and ensuring that vendor and agency names are spelled consistently.

✓ **Validate Spend Data**

Review the data to confirm accuracy. Compare externally received reports with internally generated data. Any large discrepancies need to be investigated.

✓ **Categorize Spend Data**

Once the data is confirmed as accurate, categorize the spend data into logical groupings. Several different groupings such as spend by agency and spend by supplier will be needed. Depending on the category, a grouping by commodity or service type may be necessary. The goal in this step is to identify subcategories with high spend. Look for trends in the data.

b. External Data and Market Information

The next step is to look externally. The focus shifts to suppliers and the supply market. There are two tasks to complete: conduct market research and develop supplier profiles.

✓ Conduct Market Research

Gather information to gain familiarity with the supply market. Data to be gathered includes market size, number of suppliers, major suppliers, and barriers to entry. Also investigate the buyers in the market. Who, besides the State, purchases the goods or services in this category? The main source of information will be the internet, trade publications, and interviews with vendors and industry groups. Reach out to other states as well. The more information known about the industry, the better the strategy will be.

✓ Develop Supplier Profiles

In this task, focus on specific suppliers in the industry. Create profiles for the suppliers with whom the State is currently doing business as well as any new suppliers identified in the market research. Pertinent information includes the supplier's market share, financial stability, geographic area, capacity, and lines of business. Try to gain an understanding of where each supplier fits in the marketplace. What is each supplier's competitive advantage?

2. Analyze Spend Data to Evaluate the Supply Market

a. Identify Opportunities

Compile the internal and external information gathered thus far to prepare a category template. The category template is a dashboard of the category. It includes graphs or charts showing spend by category, spend by agency, and the top vendors in the category. It will also summarize the annual spend (or other time period if spending is cyclical in the category), percent of spend using state funds, number of vendors, number of vendors comprising 80% of spend, and the complexity of the category. It will also list observations made about the category and potential strategies. This template is an initial impression of the category being investigated.

b. Analyze Supply Market Data

In this step, conduct a detailed analysis to understand and project the State's ability to influence the supply market. What is the State's bargaining power in this category? Does the State's spend make up a sizable portion of the entire market? Use multiple market analysis techniques such as Porter's Five Forces or SWOT.

c. Conduct Vulnerability and Risk Assessment

Examine the internal and external analyses completed to this point to identify areas of vulnerability and risk related to each spend category. Apply potential strategies and brainstorm potential issues with each. Ask, "What could go wrong if the State pursued strategy A?" It is important to utilize agency liaisons and others with different backgrounds. They may have a different perspective.

d. Compile and Summarize Market Analysis

Summarize the information gathered to this point to serve as input for the development of a category strategy.

3. Vendor and Agency Interviews

In this step, gather information directly from vendors, industry groups, State Agencies, and other states. Interviews with Political Subdivisions may be in order if a primary user of the commodity. With the information gathered from these interviews and meetings, begin to refine the sourcing strategies presented on the category template and, potentially, develop new strategies.

a. Vendor Interviews

Schedule meetings with as many vendors as is feasible. Do not rely on the information provided by only one vendor, as it may not provide a complete picture. Potential questions to ask include:

- How are other customers procuring these goods or services?
- What can the State do to save money?
- How should the State be buying these goods or services?

Do not limit the interviews to current vendors or contract holders. Contact other suppliers discovered during market research and reach out to industry groups as well.

b. Agency Interviews and Benchmarking

Organize meetings with Agency Subject Matter Experts (SMEs). SMEs have a wealth of knowledge about the category and experience using or procuring goods or services for the State. Potential questions include:

- Why does the Agency need this good or service?
- What features of the good or service are essential?
- How does the agency currently procure the good or service?

c. Identify Leading Practices

Compile the information gathered from vendor and agency interviews and benchmarking analysis to determine leading practices. There are two questions to be answered:

- What is the best way to procure this good or service?
- What is the best way for the State to procure this good or service?

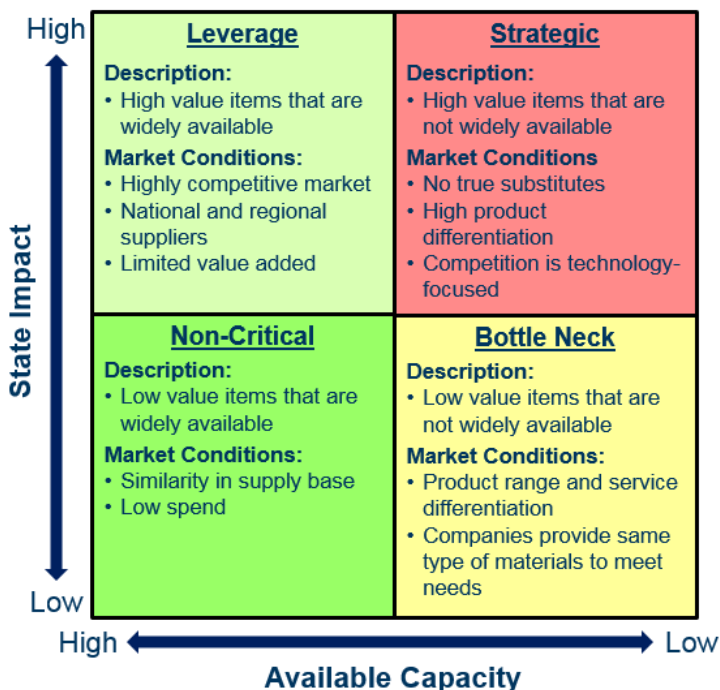
The answer to the first question is the best practices for the industry as a whole. The answer to the second question should be the best practice for the State *at this* time. The answer to both questions may be the same, but there may be rules, regulations, statutes, or other barriers that prevent the State from adopting the best practice. Be aware of these barriers and brainstorm solutions, if any. Just because the State cannot implement the best practice now does not mean the State cannot in the future.

4. Develop Category Strategy

Create a strategy for each type of spend in the category. The goal is to formulate a plan that will result in the greatest sustainable impact on the total cost of ownership. The focus is on the total cost of ownership - the strategy needs to result in savings in the long run. A plan that results in savings in year 1, but is more expensive in years 2-5 is not in the best interests of the State. There are four tasks to complete: position the category within the sourcing matrix, identify leading practices, define the category strategy, and obtain concurrence and approval.

a. Position Category within Sourcing Matrix

The sourcing matrix combines impact to the State on the vertical axis and market capacity on the horizontal axis. As the category spend increases, the impact to the State increases and moves the category higher up on the matrix. As the available capacity in the market increases, the category moves left on the matrix.



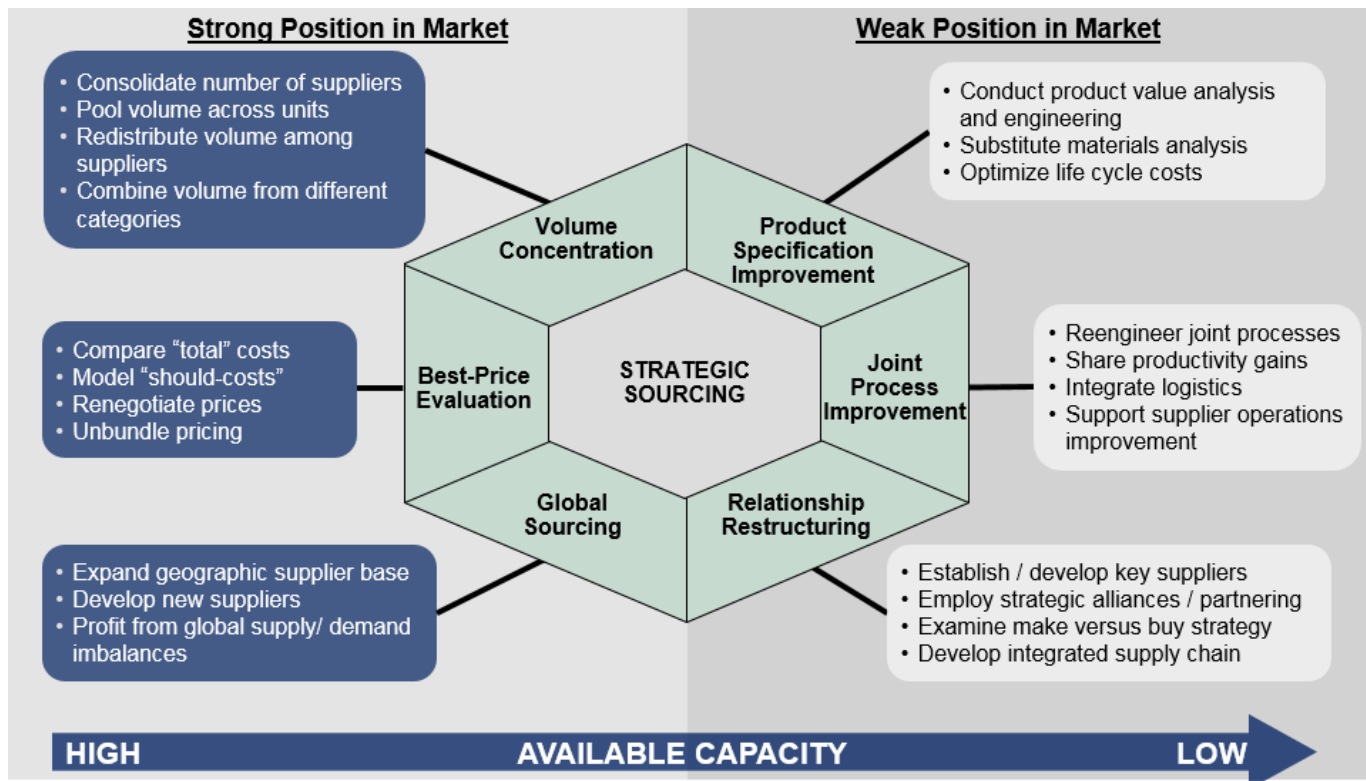
Metrics Definitions

Business Impact – The combination of expenditure level and impact on potential revenue and profit

Available Capacity – The ability to meet increased demand by suppliers, as evidenced by number of suppliers and possible substitutes

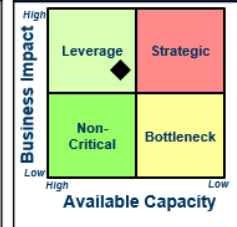
b. Define Category Strategy

Use all of the data and information acquired in the previous steps to determine a strategy for sourcing the category. Potential strategies include: Volume Concentration, Best-Price Evaluation, Global Sourcing, Relationship Restructuring, Joint Process Improvement, and Product Specification Improvement.



- Fill out the Category Profile and Strategy Summary Template.
- Provide specific strategies and evidence as to why each strategy should be implemented.

Category Description: Provide detail on the type of category that is being sourced and its primary use in the business.

1) Category Profile	3) Category Positioning	2A) Needs Assessment
<p>Spend Analysis:</p> <ul style="list-style-type: none"> • Annual Spend • # of Suppliers • # of Suppliers w/ 80% of Spend, Tot. \$ <p>Baseline:</p> <ul style="list-style-type: none"> • Volume • Price Range (Low to High) 	 <p><i>Describe the Category position on the matrix.</i></p>	<ul style="list-style-type: none"> • Quality Needs • Delivery Requirements • Cost Requirements • Engineering Requirements/preferences • Customer preferences • Balance of trade between suppliers that are also customers • Product Development Requirements • Supplier Risk Appetite
4) Sourcing Strategy and Risk Assessment		2B) Market Assessment
<p>Sourcing Strategy:</p> <ul style="list-style-type: none"> • Key Tactics • Expected impact <p>Risk Assessment:</p> <ul style="list-style-type: none"> • Overall Risk Assessment • Risk mitigation plans <p>Estimated savings:</p> <ul style="list-style-type: none"> • Price reduction: 5% • Inventory reduction 2% • Costs to execute, e.g., tooling, supplier <p>Specific potential strategies:</p> <ul style="list-style-type: none"> • Volume Concentration • Auction / Aggressive Negotiation • Global Sourcing • Selective Negotiation • Value engineering projects • CO- Development Agreements 		<ul style="list-style-type: none"> • Cost and Capacity Drivers: <ul style="list-style-type: none"> – Customer base (What other industries, sub-sectors or companies are customers?) – Key suppliers (Whom do they buy from?) • Dynamics: <ul style="list-style-type: none"> – Market growth % – Consolidation / New Entry • Supply Base Differentiators: <ul style="list-style-type: none"> – Technology – Process • Technology ownership • Distribution Channels: <ul style="list-style-type: none"> – % of direct sales – # of distributors

1) Category Profile: Use the information gathered in task 1, Create an Opportunity Assessment, to complete this section.

2A) Needs Assessment: Use the information gathered from the agencies. This section answers the question, “What is important to the State in regards to this category?” Use the information gathered in the Agency Interviews to complete this section.

2B) Market Assessment: Use the market research performed to complete this section.

3) Category Positioning: Use the matrix completed in 3.1. Provide a short explanation.

4) Sourcing Strategy and Risk Assessment: Provide the detail of the recommended strategy for the category. Include the reasoning behind the strategy, potential risks, estimated savings, and specific procurement strategies.

c. Obtain Concurrence and Approval

A recommendation meeting is to be held to include the SPO, the SPO's Manager, the RFP Assistant Director and the Legal Assistant Director. In this meeting, the SPO presents findings regarding the commodity being strategically sourced, answers questions, offers various perspectives and reasons for a specific recommendation. It may be necessary for the State Procurement Director to be in attendance if a sensitive issue is being discussed such as political implications, changes to statutory or regulatory requirements, etc. Upon concurrence and approval, the next step is to move forward with the Sourcing and Implementation phase.

STRATEGY DEVELOPMENT RECAP:

- ✓ This is a building block process.
- ✓ Opportunity Assessment, Category and Supply Market Evaluation, and Category Strategy Development are the foundation for any sourcing event.
- ✓ These building blocks provide data driven guidance and support for selecting the appropriate "sourcing event" required to implement the "Category Strategy".
- ✓ You cannot successfully move forward without adequately and accurately completing these steps. The key word is "successfully".
- ✓ Success in this case is achieving the highest quality product/service that meets the needs of the end user while achieving the lowest total cost of ownership for the State.

B. SOURCING AND IMPLEMENTATION

The activities performed during Sourcing and Implementation include preparing, issuing and evaluating all required documents and conducting the actual sourcing event. The steps in this segment of the process are completed in sequential order. For instance, all appropriate ITB/RFP/Reverse Auction/Renegotiation documents are to be developed prior to the issuance and evaluation of same.

First - Prepare ITB/RFP/Reverse Auction/Re-Negotiation Documentation

Once the steps of the strategic sourcing methodology have been completed, use the information developed to determine which solicitation methodology will be used, if any. If no solicitation is required or you determine that the current best practice (given the facts uncovered during the performance of the strategic sourcing methodology) is to pursue contract re-negotiation, then your next step will be to develop your negotiation strategy including defining the negotiation team members.

If you will be pursuing a solicitation process to contract for your requirements, follow the guidelines found in the Procurement Handbook, OSP webpages, policies, regulations and statute for the ITB, RFP, and Reverse Auction processes, etc.

Second - Develop Core Supplier List

Review the market analyses and supplier profiles previously performed in the Category and Supply Market Evaluation. This information along with the State Needs Assessment will identify the suppliers that should be included in the Sourcing Event.

Negotiate & Finalize Agreement

During this step of the methodology, the SPO and their “team” will negotiate with potential supplier(s) to determine who will receive the final award(s). Negotiation is most commonly performed when an RFP is the solicitation method. However, negotiations with the lowest, responsive bidder responding to an ITB can also be conducted. However, in the ITB process, there is no penalty to the vendor when the lowest, responsive bidder is not willing to reduce cost except that the state may cancel the entire solicitation if the lowest bid exceeds their available funds in accordance with standard procedures cited in Section 21 Cancellation of Solicitation, of the Procurement Handbook found on the OSP website.

The negotiation process begins with determining what items are important to the State by defining the “needs” and “wants” in order to develop goals and acceptable alternatives. In addition, to refining the negotiation strategy, the State must consider the perspective of the supplier(s) and plan for several negotiation scenarios by estimating the other party’s likely positions on each issue/item identified in the strategy. Develop a “concession matrix” to define the State’s and supplier’s desires. Assign a weight to each item on the matrix to represent importance and cost to the state to help in determining impact if achieved or not

Creating a supplier-specific tear-sheet that identifies general information about the supplier, category spend with the supplier, negotiation schedule, key internal statistics, current discounts & pricing structure, and targeted discounts and pricing structure is also a good idea.



The 5 Stages of a Successful Negotiation

1) Preparation

In most cases, research prior to negotiation supports successful discussions. Some questions to consider may be:

- What is the State's position?
- What is the supplier(s) position?
- What is the State willing to settle for?
- What is the supplier(s) likely to want from the negotiation?
- Which factors in the negotiation could or could not be changed?

2) Initial Positions

At this point, each party in the negotiation clearly states their position on the subject matter. Professional business communication requires each party to listen carefully to one another without judging, personal attacks or interruptions.

3) Discussion

In this step, dialog proceeds methodically in order to encourage each party to fully explain their points. Commonality of points between both parties will encourage a cooperative atmosphere.

4) Compromise and Flexibility

To foster an effective discussion, each party may offer changes to their initial position or to the initial position of the other party. This style of alternating discussion points continues until an agreement is reached that is acceptable to both parties.

Sometimes it is appropriate for parties to tentatively suggest alternative options to keep the discussion progressing. "If the State of Louisiana were to..., would you be able to...?"

5) Making the Deal

Creating a written record of the agreement is beneficial at this point. The written record is to include information on the monitoring plan for the agreement. A good practice is to have each party signs the written record to document the details of the negotiation. When drafting the agreement, compare the terms against this written record to ensure all details are correctly addressed.

Remember:



Win/Win Negotiation Strategy

- ✓ Both parties achieve something of value
- ✓ Supplier has vested interest in the State's current business and future success
- ✓ Build lasting relationship based on trust, ethics, honesty and transparency

Body Language – Be aware of body language of both parties. Appear interested by leaning forward and maintaining appropriate eye contact. Sometimes smiling can encourage positive interaction between individuals. Being aware of body language may provide clues about whether the other party is losing interest, strongly opposed or starting to agree.

Breakdown – At times there is a break down in negotiation and the parties are not able to reach an agreement. Development of an alternative negotiation strategy at this point is essential to moving forward.

Develop & Implement Agreement

This stage of the process is to develop and execute a contract with the winning supplier(s) and design and implement a process to transition the State and the supplier(s) to the new supply arrangement(s). A significant component of this process is to finalize the agreement by documenting

the agreed upon deal and drafting supply agreements based on negotiated terms. Upon the final agreement, the next step, and of paramount importance, is to build a transition plan. The transition plan includes securing resources, identifying actions and establishing a timeline to transition to a new service or supply arrangement. Utilization of cross functional teams and appropriate resources will ensure business continuity. It is also important to review the suppliers' transition plan to provide feedback and recommend adjustments if needed.

C. CONTINUOUS IMPROVEMENT

Contract monitoring is a necessary performance review process that serves as an opportunity to determine a contractor's effectiveness and quality of service. Organizations that effectively manage their supplier contracts are able to reduce supply risks, optimize expenses, better manage and measure supplier performance, and improve communications with suppliers.

KEY QUESTIONS TO CONSIDER:

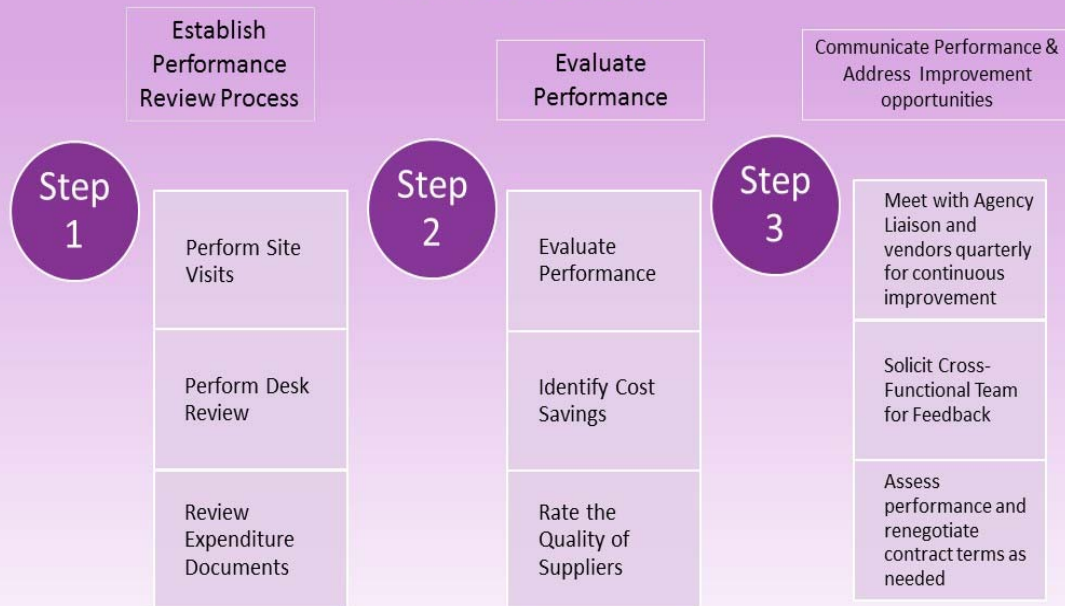
- How will the agency know it is receiving what it paid for?
- How will the agency know that the contractor is complying with the terms of the contract?

A systematic and comprehensive review of the statement of work including contractor compliance requirements is an essential element to contract monitoring. All of these requirements are deliverables that the contractor agreed to when the contract was executed or the purchase order was issued.

Monitoring efforts focus on outcomes from the contract such as:

- Level of service received
- Priority of service to the agency
- Appropriateness of service costs
- Evidence of non-allowable costs
- Response to goods and/or services identified as not meeting requirements

PERFORMANCE MEASUREMENT & CONTINUOUS IMPROVEMENT



1. ESTABLISH PERFORMANCE REVIEW PROCESS

The objective to establishing a performance review process is to continuously improve both the State and the supplier's performance. The establishment of clearly defined contract expectations by the State are critical to successful monitoring. Furthermore, it is imperative that individuals responsible for contract monitoring and the contractors understand what will be monitored and the criteria used to evaluate contractor performance.

After performance monitoring guidelines have been determined, the next step is to gather necessary data for a review.

a) Perform Site Visits

Site visits can be used to verify actual performance against scheduled or reported performance. These ensure the contractor is dedicating sufficient resources and appropriate personnel to the contract. Site visits reinforce the contract importance to the contractor and provide an opportunity to enhance communications with the contractor. Full scope site visits are typically scheduled at the contractor's place of business. They are based on risk assessment and cover a broad range of contract compliance and performance issues. Limited scope site visits typically focus on a particular problem.

To perform a site visit:

- ✓ Develop a comprehensive and objective site monitoring checklist which:
 - Focuses on the outcomes, including compliance requirements
 - References the applicable contract requirement
 - Assess contractor performance.
 - Clarifies areas where monitors may exercise judgment.
- ✓ Document Requirements
- ✓ Test Sample Population
- ✓ Tailor the site monitoring checklist for each contractor. Each contract/contractor should be reviewed for specific site monitoring requirements unique to that contract/contractor.
- ✓ Review specific contract requirements to determine if these merit site monitoring.
- ✓ Look for items that fall just below an amount requiring additional approval.
- ✓ Consider problems the contractor has had in the past or what is likely to cause problems for this contractor. Are parts of the contract new to the contractor?
- ✓ Has another agency or another part of the same agency conducted a review?

Report Site Monitoring visit. This serves as a record of the site monitoring work. A copy of the report should be sent to the contractor and any others who may benefit from the report. Include recommendations from the site monitor and contractor that can be implemented within the next contract.

b) Perform Desk Review

The desk review is a means to continually monitor the supplier's performance and level of service. Agencies should be involved in this process and aide in the review.

To perform a desk review:

- ✓ Track contract start and end dates and minimum spend commitments for each supplier.
- ✓ Understand financial objectives of the agreement and monitor whether the expenses associated with the vendor are within the planned estimates.
- ✓ Monitor service performance and metrics:
 - Ensure service objectives are being met;
 - Ensure that vendor service commitments are being met;

 - Ensure that vendors pricing commitments match agreed upon pricing;
- ✓ Schedule regular vendor meetings to review services.
- ✓ Monitor whether the service, as purchased, is meeting the requirements of the business.
- ✓ Compare vendor performance to published industry metrics where available.

c) Review Expenditure Documents.

Reviewing expenditure documents provide insight on whether the rates and services are the same as allowed by the contract. Supporting documents such as cost reports, receipts for expenses, etc. adequately support the request for payment. If the contractor consistently provides incorrect invoices and/or the supporting document is insufficient to support the request, then consider performing additional monitoring activities, such as, an on-site visit.

2. EVALUATE PERFORMANCE

Monitoring the performance of the supplier is a key function of responsible strategic sourcing. The purpose is to ensure that the vendor is performing all duties in accordance with the contract and for the agency to be aware of and address any developing problems or issues relative to contract agreements and business objectives.

A failure to manage and monitor supplier performance can lead to major disruptions, delivery problems, poor quality, and other issues that damage company credibility. An effective supplier performance management program can help identify supplier issues early on, and ensure that they are remediated in a timely manner, thereby reducing risks and loss of revenue.

A Supplier Scorecard is be used to measure and review supplier performance, identify non-compliance, and opportunities for improvement. Use the RFP evaluation criteria when measuring performance of a commodity strategically sourced using that event.

Scores for various performance indicators are multiplied by their weighting and the summation provides the overall quality score for the supplier.

An example of a Supplier Scorecard is on the next page. The performance indicators used will depend on commodity specifics.

Supplier Sample Scorecard

Performance Indicator Description	Target	Weight	Actual	Rating	Score	Comments
Quality		20%		3		
On-Time Delivery	95% 90% 85% 80% <75%	20%	92%	4		
Cost*	Lowest	10%				
Product Availability	99.9% 99.6% 99.4% 99.1% <99.0%	10%	99.7%	5		
Meets all Service Levels	95% 92% 90% 85% 75%	10%	86%	4		
Overall Customer Satisfaction		10%		4		
Customer Support		20%		4		
		100%				

- The actual performance should guide the rating. The rating is set up to be 1–5.
 - 1 – Unsatisfactory performance
 - 2 – Marginal performance
 - 3 – Satisfactory performance
 - 4 – Very good performance
 - 5 – Outstanding performance
- The score is a calculation based on the weight. If a performance indicator has a weight of 20 percent, then, on a scale of 1–100, only 20 points are available in this category. If the supplier is perfect in this category, getting a 5 rating, then the score will be 20 points. A supplier receiving all perfect scores (all 5s) will have a total score of 100.

3. The cross functional team should rate suppliers in order to get a broader view of supplier performance. Scorecards are sent to all the internal reviewers to complete an individual scorecard, upon return, the scorecards are consolidated across all reviewers. Assign a letter “grade” to suppliers, once a total is calculated.

This scale is common:

A - 90–100

B - 80–89

C - 70–79

D - 60–69

F - < 59

4. The results of the scorecard should be reviewed with the supplier. This keeps the supplier informed on its performance, allows for mid-contract review, any necessary corrections, and improves performance.

3. COMMUNICATE PERFORMANCE & ADDRESS IMPROVEMENT OPPORTUNITIES

By this point, suppliers are engaged as part of the overall cross-functional team and project objectives are established and adopted. By establishing an effective Supplier Relationship Management (SRM) program, savings and improvements can begin to be realized that were initially targeted in earlier phases of the sourcing process.

To establish an effective supplier relationship:

1. Use regular agency liaison and vendor meetings to discuss the level of service from all perspectives
 - a) Schedule regular meetings (typically quarterly), and review data and usage reports to identify spend; validate the findings with cross-functional team and suppliers
 - b) Seek feedback from the supplier regarding internal procedures that could be hindering service quality
 - c) Seek cost-savings innovations and online performance management tools
 - d) Conduct supplier performance surveys
2. Establish a vendor improvement plan when necessary:
 - a) Identify non-compliance with contract requirements
 - b) Identify actions to be taken and establish a time frame for when results will be realized
 - c) Promptly escalate service issues to Senior management
3. Renegotiate service terms when a service is being delivered as requested, but is failing to meet user requirements. NOTE: Scope of Services/Product requirements must remain substantially the same as originally defined in the RFP.
4. At the end of the agreement term, assess the performance and re-negotiate:
 - a) Leave enough time to seek alternate suppliers if necessary
 - b) Communicate supplier selection and inform agencies of contract availability

IV. DATA ANALYSIS



The Why

Data analysis can appear daunting, overwhelming in complexity and seemingly disconnected from the day-to-day work of procurement. However, data analysis is necessary in order to *quantify* the extent to which the State is currently making the best use of its scarce resources, and identify how it can do better.

Put in simpler, real terms, data analysis within strategic sourcing is essential because:

- Data analysis tells us when/where/why the State's procurement money is being spent.
 - Who (which agencies) are buying goods and services, and how much?
 - We can use this to persuade agencies to participate
 - Who (which vendors) are selling goods and services, and how much?
 - We can use this to persuade vendors to negotiate
 - What types of expenditures (budget objects / commodity codes) are being made?
 - What's the rate of expenditures? Are we buying more or less than last year?
 - What's the price? Are agencies paying the same as each other? Compared to other states?
- Data analysis gives a solid basis for prioritizing and realizing targets in strategic sourcing.
 - Where is the best opportunity for improvement? (Highest spend / biggest price differential)
- Data analysis measures efficiencies in use of public funds.
 - Which agencies aren't buying from negotiated/statewide contracts?
 - Which commodities have the best existing prices?

Considering these uses, it's clear *why* data analysis is important. Now we'll look at *how* it's done.

The How

Note: It's likely that some data analytics tasks will be performed by a central Analytics group, but it's essential that procurement officers involved be familiar with how the processes are performed (whether or not they will be performing the calculations themselves) so they can explain the rationale to others.

Just as when following a recipe, the first step of data analysis is identifying and gathering the ingredients you need – both what you have on hand, and what you need to go out and collect. As discussed in more detail in previous sections, investigate several different sources to make sure your base data is maximally comprehensive. Whenever possible, use as many of the following sources as possible:

- ISIS (AFS) expenditure reports from Business Objects
- LaGov (SAP ERP) expenditure reports from Business Objects
- AGPS/CFMS/LaGov contracts reports
- P-Card expenditure data
- LaTrac data
- Vendor sales reports
- Agency procurement records

Using this combination gives you a better total base dataset, because each source has its own quirks. LaGov data only pertains to LaGov agencies; vendor sales reports include political subdivisions and other quasi/cooperative purchasing entities; agency procurement records will give more detail about transactions while necessarily having a lower-altitude focus. While it may appear time-consuming, pulling together the different sources gives you a composite picture that's more than the sum of its parts.

Data analysis, like cooking, is about more than just the ingredients. The next steps in the process depend on what outcome is intended. As referenced before, you need to make sure that you have a complete picture of (1) who's buying, (2) who's selling, (3) what's being sold, and (4) with what price / T&Cs.

As with the Top 100 and P-Card projects described earlier in the manual, the next general steps for manipulating the data are:

1. Pull everything together into one file, with consistent columns used to group data
2. Make data consistent: for example, resolve column differences between multiple vendor sources
3. Pull in anything that's missing: for example, add agency name if only the agency code is there
4. Pivot, sort, and/or filter the data into a meaningful arrangement (sort by total spend, for example)

For descriptions and steps of a useful Excel function to make data analytics both easier and more powerful, see Reference Information in **Appendix B**.

Data Analytics Tools

Data analytics is tremendously aided by a powerful function in Excel: Lookup Tables

Lookup Tables are designed to link related values together using a common reference point. They reduce unnecessary re-work by pulling in known data values from elsewhere to plug holes in other spreadsheets. Many websites and books describe how to create lookup tables.

A real-world example would be a case where a data source give an agency number but no agency name. This relationship is well established, and agency name tables are available from the OSP Chief Analytics Officer. A subset of the agency name table is shown at left, and the vlookup function can be used to pull over the agency name based on the agency number, as shown.

The vlookup formula protocol is **=vlookup(A,B,C,D)**, where:

- A = linking cell reference (the cell whose value is already available in both spreadsheets)
- B = source table (the set of data that will be looked in to find the missing piece)
- C = column to pull (the column number within the source table to pull)
- D = true/false (approximate/non-exact matches are acceptable – near-universally false)

The example below shows how “14-474” = “Louisiana Workforce Commission” by vlookup.

	A	B	C	D	E
1	Agy. #	Agency Name			
2	10-360	DCFS - Children and Family Services		14-474	???
3	11-431	DNR Secretary			
4	11-432	DNR Conservation			
5	11-434	DNR Mineral Resources			
6	11-435	DNR Coastal Management		14-474	=VLOOKUP(D6,A2:B10,2,FALSE)
7	12-440	LA Dept. of Revenue			
8	13-850	DEQ Secretary			
9	14-474	Louisiana Workforce Commission			
10	16-512	Wildlife and Fisheries Secretary		14-474	Louisiana Workforce Commission
11					

For more information and real-life tutorials, consult with the Data Analytics group.

V. APPENDIX

A. SAMPLE LANGUAGE

The following examples of language that has been used in solicitations or contracts for strategically sourced commodities. If you need help to determine which terms and conditions may apply to your commodity, please see the strategic sourcing team for assistance.

Cooperative Purchasing:

This ITB **has been designated a cooperative purchasing opportunity**. Political subdivisions of the state, quasi state agencies and external procurement units will be eligible to purchase from this contract. The Bidder is expected to allow, at the State's option, political subdivisions of the state, quasi state agencies, and external procurement units to purchase applicable products, services, supplies and commodities from any contract awarded through a cooperative solicitation.

Bidders must be capable of handling a large volume of orders in the areas they service and should expect increased volumes of business from the public sector. The State expects bidders to offer the most competitive prices and rates based on this expected increase in volume. The State reserves the right to cancel this solicitation in whole or by region if the prices or rates bid are higher or equivalent to prices and rates commonly available to the public or for individual orders.

NOTE: This language is relatively strong. The OSP needs to ensure the commodity is suited to political subdivision spend to avoid the potential of steering away state vendors.

Rebate Language:

Option 1:

The State is seeking one-percent (1%) of the total net sales (gross sales minus returns, credits and deductions) under the contract from the vendor as a rebate payable to the State of Louisiana. The State reserves the right to negotiate the volume of business the rate will be applied to. The rebate shall not be added onto the vendor's bid price as a separate component or charged to the purchaser as an add-on. Payment of the rebate shall be made payable to the State of Louisiana,

Division of Administration, Office of State Procurement, and forwarded quarterly to _____.

NOTE: Useful in competitive environments in which we don't want OSP's share to be lost. This language should be included on most solicitations, except those suitable for the next "Option2" version of rebate language.

Option 2:

Volume rebates are to be proposed by the vendor on Attachment A based on total annual contract usage. For evaluation purposes only, the lowest (least advantageous to the State) % volume rebate offered by the bidder will be subtracted from the Weighted Total to determine the Net Total.

All volume rebates proposed by the bidder on Attachment A will become part of the contract. The rebate will not affect unit costs for billing to agencies, but will be paid by the vendor(s) directly to the Office of State Procurement in a single payment within 60 days of the end of each calendar year, based on annual contract usage (State, local, quasi). The rebate calculation will be based on the single rate which corresponds to total annual volume.

NOTE: This option is most useful in cases where we think volume can/will grow substantially from current levels.

	<i>Amount of Annual Total Contract Expenditures</i>					
<u>D. Volume Rebates</u>	\$0 - \$200,000	\$200,001 - \$400,000	\$400,001 - \$600,000	\$600,001 - \$800,000	\$800,001 - \$1,000,000	\$1,000,000+
% Rebate:						

Mandatory Use

The state reserves the right to make this a mandatory use contract on those agencies which fall under the purchasing authority of the state's Central Purchasing Authority if the terms and conditions and prices negotiated with the successful proposer are determined to be in the best interests of the state. If made a mandatory use contract, the state will be committed to purchasing all of its needs from the contractor who will, in turn, be compelled to furnish the items or services at the price quoted within the required time.

NOTE: Should go on every solicitation. This language is non-binding, but gives up option and may give the vendor a sense that their customer base will grow.

B. REFERENCE INFORMATION

The below link is a quick reference for Excel short cuts

<https://support.office.microsoft.com/en-us/article/Keyboard-shortcuts-in-Excel-2010-20603861-42b6-4c93-82ec-66924ea9b323?CorrelationId=8d71ec7c-871d-43e4-bfd1-41a2c6931a47&ui=en-US&rs=en-US&ad=US>

Sorting Data

<http://www.gcflernfree.org/excel2010/11/print>

How to create pivot tables

<http://fiveminutelessons.com/learn-microsoft-excel/how-create-pivot-table-excel>