

April 7, 2006

To: John M. Lamerato, Acting City Manager

From: Jeanette Bennett, Purchasing Director

Re: **Agenda Item** – State of Michigan MiDEAL Purchasing Program –  
Office Supply Contract with Office Max

### **STATE OF MICHIGAN CONTRACT**

Effective January 18, 2006, the State of Michigan awarded their request for proposal (RFP) for Office Supplies to Office Max (contract #071B6200135). A contract was established for a period of three (3) years with an option to renew for two (2) additional one (1) year periods. Four proposals were received with Office Max selected as the bidder providing the most comprehensive, tested, and cost effective solution. The City of Troy Purchasing department is implementing the competitively bid contract which allows all Michigan Intergovernmental Trade Network (MITN) cooperative members to participate with potential rebates totaling 7% and an overall product savings of at least 6.5%.

Thirty-two (32) political subdivisions have committed to the office supply program and include cities, counties, townships, road commissions, and other governing authorities. 2005 annual purchases for the entire cooperative were approximately \$2.1 million, of which Troy spent \$136,750.00. Under the new contract, rebate checks of 3% will be issued quarterly to each entity based upon their total volume. In addition, e-commerce incentives of 1% encourage participation when 90%+ of all order transactions are processed electronically. Other incentives include 1% for EFT payment and a 1% or 2% discount depending upon annual average order size in excess of \$200.00.

It should be noted that a core list of 1300+ high use office supply items are discounted up to 85% off list prices with firm prices for the first twelve months of the agreement. The off contract catalog items equate to a 48% Net DFL on their full line of office products catalog.

### **SUMMARY**

Staples and Office Depot both offered cooperative type contracts, which were used as a comparison to determine the best value for the City. The evaluation committee reviewed the following areas: competition, participation, lead agency, bid evaluation, contract valuation, product analysis, volume pricing levels, rebates, restocking fees, and order minimums. (See Appendix I – Office Supply Contract Analyses)

Overall, the Office Max contract provides the best value when the objective is to obtain the right services, in the right quantity for delivery at the right time to the right place from the right source at the right price.

Prepared by: Susan Leirstein, Purchasing Systems Administrator

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## OFFICE SUPPLY CONTRACT ANALYSES

	<b>OFFICE MAX</b>	<b>STAPLES</b>	<b>OFFICE DEPOT</b>
<b>COMPETITION</b>	Three week lead time	Local advertisement	National Advertisement
	Posted on State's website	Sole Bidder	Three Bidders
	Bidders notified via postcards		Held Pre-bid meetings
<b>PARTICIPATION</b>	Four major suppliers – Office Depot – Office Max Staples – Corporate Express	Staples chose only to bid on the local Los Angeles County agreement, and not the national RFP.	RFP was emailed directly to each office supply company.
		No agency in Michigan utilizes the NJPA contract.	MITN Cooperative
<b>LEAD AGENCY</b>			
	State of Michigan	NJPA and not a stakeholder solicited the bid.	Los Angeles County
<b>BID EVALUATION</b>			
	Discounts off list prices are firm for entire contract period.	No benchmarks to determine how aggressive the prices were.	Public purchasing officials from other national agencies assisted in the evaluation.
	1,329 items on the core list Prices adjusted annually with documented changes in the market	No firm pricing structure	Bidders required to submit net product pricing on all items with UPC codes for analysis purposes.
		Customization allowed	

	<b>OFFICE MAX</b>	<b>STAPLES</b>	<b>OFFICE DEPOT</b>
<b>VALUE OF CONTRACT</b>	\$29+ Million	Not established	\$350+ Million
<b>VOLUME PRICING LEVEL</b>			Collective purchasing power
	Best Customer, Best Price within State	Not guaranteed to receive the lowest prices.	Favored Nations Clause – Guaranteed lowest prices
<b>REBATES</b>			
		Volume – 5%	Volume – 2%
	E-commerce – 1%		E-commerce - 1%
	1% N10 EFT Payment Terms		
	1% if average order size between \$200-300 or 2% if average annual order is \$301 or higher		
	Volume – 3%	Savings minimal	
		Reports supplied inaccurate – numerous errors	Key advisory board members – representation from both the east and west regions
<b>RESTOCKING FEES</b>	\$0 within 60 calendar days	< 15% - Staples waived??	\$0
			Special orders are non-returnable
<b>MINIMUM ORDERS</b>	None		None
<b>CONTRACT TERM</b>	3 years w/ 2 one-year options	Extendable up to 5 years	4 years w/2 one-year options