



New Mexico Sources Print Services Savings

By David Yarkin

Shortly after New Mexico Governor Bill Richardson took office in 2003, suppliers and agency staff alike knew that the state's procurement system was in for a change. The state is one of the largest buyers of goods and services in the Southwest, yet had never leveraged its significant size to get the best value for its taxpayers.

Like many states pursuing strategic sourcing, New Mexico retained a consulting firm to help establish a series of more competitive contracts. Massachusetts-based Silver Oak Solutions (since acquired by CGI-AMS) was hired in November, 2003, with the goal of delivering \$16 million in annual savings. While Silver Oak lent its expertise to the project, there was no question that the leadership and direction came from Governor Richardson. In all, Richardson hoped to take some \$90 million out of the cost of buying goods and services.

"The initiative came from Governor Richardson," says Alex Cuellar, Public Information Officer for the New Mexico General Services Department (GSD) who added that it was "probably his number one push in things to get done while he is in office."

Secretary of General Services Ed Lopez credits Richardson with "the foresight to recognize that the procurement system in New Mexico was terribly, terribly broken, and it needed to be fixed. The governor campaigned in 2002 on a platform called the 'Bill Richardson Plan' to save taxpayers \$90 million. The plan targeted areas of government operations that needed to be examined and retooled to be efficient."

While a number of stories have been written in recent months about strategic sourcing at the 30,000-foot level, few provide the tactics involved in sourcing a specific commodity.

"Sourcing in the States," a new *Government Procurement* column by David Yarkin, will cover state and local strategic sourcing methodologies.

Until recently, Yarkin served as Deputy Secretary for Procurement in Pennsylvania's Department of General Services and led the state's successful strategic sourcing initiative.

In each issue, Yarkin will detail how his colleagues in other governments have generated value for their taxpayers through an individual sourcing project. "Sourcing in the

States" debuts this month with a "deep dive" into New Mexico's sourcing of print services.

If your entity has taken a particularly innovative approach to strategic sourcing, e-mail Yarkin at dyarkin@govsourcing.com.

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After weeks of analyzing New Mexico's spend data, Silver Oak presented the state with a series of commodities with an opportunity to generate significant savings. The first wave of sourcing projects included computer hardware and software, fleet vehicles, mail equipment, furniture, medical services, office supplies, food service, and printing services.

Printing was prime territory for reform. The processes for buying print served neither the state nor its suppliers well. When state agencies needed to contract for printing services, there was no statewide contract or "price agreement" available. Instead, the state had to publish an Invitation to Bid (ITB) for every significant print job. Because printing was being purchased in such small quantities for such a short period of time, the state never received pricing commensurate with its significant volume.

"Being able to go out the vendor community and say, 'This is a four year contract,' allowed our suppliers to spread costs out through four years rather than just a job at a time," says Michael Jaramillo, Deputy Director of the State Purchasing Division. "This drives down cost."

In addition to lower acquisition costs, a state contract that covered most print needs allowed the state to see significant soft cost savings. It also injected new competition into state purchasing.

"We save on agency purchasing people having to do their own procurements for every print job," says Jaramillo. "This saves a lot of salary time and a lot of salary money."

"SaveSmart New Mexico outed the good-old-boy system where state employees could take three bids from their three best buddies and choose the lowest of the three and then rotate in perpetuity," says Lopez. "Most of the resistance came from suppliers that overcharged the state. The procurement system enabled that kind of practice."

General Services decided that attempting to put all of its print needs



Elected in 2003, New Mexico Governor Bill Richardson was instrumental in driving the state's strategic sourcing initiative.

into a single lot would not generate sufficient competition. Instead, they broke the procurement into eight lots, or categories, consisting of similar print requirements:

- Pre-press Services
- Envelopes
- Letterhead and Business Cards
- Flat Print
- NCR Forms
- Snap-out Forms
- Continuous Forms
- Reports and Booklets.

In each category, bidders were asked to fill out a price matrix (see page 11).

"We fractured the procurement into specific product groups," explains Brian Selander, National Director for CGI-Spend Management Solutions (formerly Silver Oak Solutions). "With the exception of high-use forms, it is difficult to predict in advance the exact specifications of the jobs a client will purchase in the future. We structured the pricing with standard specifications based on paper size and a la carte options that could then be added to spec-out the job, for example, folding, four-color process printing, and upgraded paper.

"The approach required that the RFP have a much larger than normal number of pricing grids—one for each product group and size combination," says Selander. "This did

require more diligence on the part of responders."

Suppliers and state officials agree that the one-job-at-a-time print procurement process prevented a collaborative relationship aimed at continuous cost reductions and improved quality.

"Our supplier starts to recognize what agencies are publishing every year, and the winning supplier, Moore Wallace, can put out a better product, make recommendations to agencies, and get the product out quicker because they put the same thing out last year," says Jaramillo.

Lou Metzger of Moore Wallace, an RR Donnelley company, agrees. "The State had a very strong desire for a more consultative approach," says Metzger. "The approach was to get the price settled up front through the initial procurement and then work with the agencies to save more during the lifetime of the contract."

"We can then focus on what we do best: making suggestions to the client to improve quality and reduce cost," says Metzger. "We look at the way an item is designed, the colors chosen, the size of the documents, the quantities, and then make suggestions on how small changes could allow us to save money for the state."

The Printing Industries of America (PIA) shares this view. "That's the type of relationship the industry is looking for, as opposed the one-off, low-bid print jobs that get bid out time after time after time," says Fred Antoun, Counsel for Government Printing at the PIA. "The one-off, low-bid print jobs never give the opportunity to establish a continuous cost savings customer relationship."

One example of continuous improvement and cost-savings involves the printing of temporary cardboard license plates. Historically, the plates had a short holographic strip that had to be applied manually, significantly increasing the cost of production. Moore Wallace suggested that the strip instead span the length of the license plates so that it could run end to end and

The State of New Mexico divided print procurement into eight lots consisting of similar requirements. For each lot, bidders were asked to complete a price matrix. For example, the matrix below includes information on a sample bid for 3.25- by 4.25-inch flat on 90# white index stock printed with black ink.

BASE PRINTING	PRINTED 1 SIDE (\$ / M)	PRINTED 2 SIDES (\$ / M)	COLORED PAPER (UPCHARGE \$ / M)	COATED PAPER 1 SIDE (UPCHARGE \$ / M)	COATED PAPER 2 SIDES (UPCHARGE \$ / M)
1M	26.582	65.356	1.207	0.553	0.075
5M	11.500	25.137	1.207	0.553	0.075
10M	9.615	20.109	1.207	0.553	0.075
15M	8.986	18.438	1.207	0.553	0.075
25M	8.484	17.093	1.207	0.553	0.075
50M	8.408	16.088	1.207	0.553	0.075
75M	8.107	8.810	1.219	0.540	0.063
100M	7.893	8.195	1.219	0.540	0.063
150M	7.327	7.528	1.219	0.540	0.063
250M	6.812	6.925	1.219	0.540	0.063
500M	6.498	6.561	1.219	0.540	0.063

COLORS - UPCHARGE TO BASE	SUBSTITUTE COLOR INK FOR BLACK	PER ADDITIONAL COLOR (\$ / M) 1 SIDE	PER ADDITIONAL COLOR (\$ / M) 2 SIDES	4 COLOR PROCESS (\$ / M) 1 SIDE	4 COLOR PROCESS (\$ / M) 2 SIDES
1M	12.568	28.907	28.907	109.031	590.757
5M	2.514	5.781	5.781	22.560	115.298
10M	1.257	2.891	2.891	11.751	57.702
15M	0.838	1.927	1.927	8.148	38.644
25M	0.503	1.156	1.156	5.266	23.571
50M	0.251	0.578	0.578	3.104	10.623
75M	0.134	0.436	0.436	2.384	5.470
100M	0.101	0.327	0.327	2.024	4.461
150M	0.067	0.218	0.218	1.663	2.790
250M	0.040	0.131	0.131	1.375	1.089
500M	0.020	0.065	0.065	1.159	0.602

OTHER UPCHARGES	PER BLEED	NUMBERING	DRILLING (PER HOLE)	PADDING (100 / PAD)	PER PERFORATIONS / SCORE	PER FOLD	PER TRIM
1M	0.566	45.246	28.907	0.628	28.907	17.910	0.566
5M	0.566	9.049	5.781	0.628	5.781	6.850	0.566
10M	0.566	4.525	2.891	0.628	2.891	5.467	0.566
15M	0.566	3.016	1.927	0.628	1.927	5.006	0.566
25M	0.566	1.810	1.156	0.628	1.156	4.638	0.566
50M	0.566	0.905	0.578	0.628	0.578	4.631	0.566
75M	0.266	0.603	0.385	0.628	0.385	4.269	0.226
100M	0.201	0.452	0.289	0.628	0.289	4.223	0.201
150M	0.176	0.302	0.193	0.628	0.193	4.177	0.176
250M	0.151	0.181	0.116	0.628	0.116	4.140	0.151
500M	0.138	0.090	0.058	0.628	0.058	4.112	0.138

the entire process could be automated. This generated savings upwards of 40 percent that were passed on to the state. Under the previous system, the specifications perpetuated by the inefficient manual process could never be changed by the state's suppliers.

From the inception of the SaveSmart initiative, Richardson has placed a premium on utilizing New Mexico small businesses in the implementation of strategically sourced contracts.

"The SaveSmart program, despite the initial criticisms, actually increased New Mexico-owned business participation by almost 10 percent," says Lopez. "The fears that we would 'Walmartize' state purchasing never came true."



New Mexico, Secretary of General Services Ed Lopez credits Governor Richardson with recognizing the need to "retool" the state's procurement system.

The print procurement allows small New Mexico printers to participate in the fulfillment of the contract by working with Moore Wallace. Moore Wallace made a commitment to use local printers as subcontractors to meet New Mexico's needs, so long as they meet the pricing guidelines established by Moore Wallace's price bid.

"We are always looking for opportunities to use approved vendors in New Mexico that we've qualified," says Metzger. "We are working with companies that work with us within the matrix price structure and use New Mexico manufacturers where it makes sense. We have a pretty clear picture of their capabilities."

By any measure, New Mexico's strategic sourcing of printing services has been a success. In the previous year, the state spent \$3.02 million on print. The new contract is saving New Mexico taxpayers \$860,000—or 28.5 percent. And, GSD reports that agencies have ex-

pressed great satisfaction with Moore Wallace's performance to date.

While nearly every state that has embarked upon strategic sourcing has sourced office supplies and personal computers, fewer have tried their hand at printing. Selander of CGI-AMS sees the success New Mexico enjoys as a forerunner of print-sourcing projects among other states.

"For print, as with other categories, New Mexico was willing to challenge the status quo around how and what they bought," Selander says. "They were willing to take the necessary time and steps to look outside the traditional 8.5- by 11-inch box. Other organizations willing to make similar investments should find savings through strategic sourcing printing."

Antoun of the PIA sees strategic sourcing as a necessary first step in optimizing the efficiency of government printing. The PIA has reviewed a number of studies over the years where the cost of in-house print is significantly higher than buying it outside.

"The key to sourcing is an evaluation of what the state is doing in-house," Antoun says. "Strategic sourcing has given states like New Mexico that one place to go for print in the commercial sector. And we believe that the private sector can do it better, faster, and cheaper."

Whether states see strategic sourcing of printing as an end in and of itself or as a way to utilize commercial printers more than they had in the past, they can follow the playbook authored by Richardson, Lopez, and the New Mexico General Services Department. □

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