

## Project Summary

**Client:** Public University

**Service:** Contract Negotiation Service (Office Products)

**Result:** \$215,000 of annual savings on future office supply purchases.

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procurement**

### The Client

A large public university with a student population of over 39,000 on 9 Pennsylvania campuses. The university employs over 12,500 people and spends approximately \$3 million each year on office supplies. The client's management of procurement is centralized and it employs an enterprise financial system that tracks all purchases from budget to payment.

### The Business Situation

The client's office supply agreement with a national vendor contained a pricing structure that included fixed prices for core items, but no pricing terms for non-core items. Accordingly, its purchasing system contained price updates to core items only.

Without pricing terms for non-core items, the prices for these items could not be audited and the vendor could charge the client any price it wished to charge.

Although 65% of the client's office supply spend was for non-core items, the client was lucky that the vendor did not take advantage of the situation. Chartwell's review indicated that the client was getting fair pricing, but improvements on non-core pricing were available.

Management was highly concerned about this situation and engaged Chartwell resolve the issues with the current vendor.

### The Analysis and Negotiation

- At Chartwell's request, the client provided us with documentation of all current written pricing agreements with the office supply vendor.

- The vendor provided us with a data file of historical purchase information.
- With our proprietary analysis software, our consultants analyzed the purchasing data, benchmarked the prices charged to our knowledge base, and developed the best pricing structure for the client.
- Chartwell used its price modeling analysis to determine that there were potential annual savings of \$150,000 to \$250,000. This analysis was discussed with the client.
- The client directed Chartwell to discuss its findings with the current vendor.
- The client directed Chartwell to negotiate non-core item pricing for an amendment to its current pricing agreement.
- A pricing agreement was reached on purchases of non-core items with the current office supply vendor and the vendor, client and Chartwell worked together on implementing the changes to the pricing structure of the agreement.

### The Results and Benefits

As a result of our efforts, the client estimates its annual savings on purchases of office supplies under the amended agreement will be approximately \$215,000 per year over the next 5 years. Additionally, an amendment was executed which significantly reduced the potential for price discrepancies and insured that the prices charged were easily auditable.