



# Proactive Contract Management:

# From Award to Expiration

Leann McGowan

John Burnett & Rob Penfield





# Presenter Background

## Leann McGowan, Section Chief, DOA Enterprise Sourcing

- With SBOP for 6 years, started my State career at the DNR in 2016. Private Sector experience includes sales, procurement, forecasting, scheduling, in manufacturing-based industries. Skill sets and background from the MD/HD chassis field in the manufacturing and upfitting of Snow & Ice equipment; Spectroscopy accessories (IR/UV); Food manufacturer; Wood products that were manufactured for Large Retail Store sets.
- Contracts: Vehicles, Heavy Equipment, Vehicle Parts, Tires , Vehicle Maintenance Program, Vehicle Lifts and Shop Equipment, and Vehicle and Equipment Rentals.





# Presenter Background

## John Burnett, Procurement Specialist - Senior

- With SBOP for over four years, previously worked for DNR, DOC, UW System, and a school district
- Contracts: Automated External Defibrillators (AEDs) & Accessories, Elevator Maintenance and Repair Services; Prescription Safety Glasses; Prime Vendor Foodservice; Security & Fire Protection Services; Statewide Flooring; Universal Sized Cafeteria and Washroom Paper Products; Cleaning Chemicals; Can Liners; several MMCAP Infuse Pharmaceutical and Health Care Products contracts





# Presenter Background

## Rob Penfield, Procurement Specialist - Senior

- With SBOP for 3 years, with previous experience working for the State of Oklahoma and Dane County
- Certified Purchasing Manager with a diversified background in Manufacturing, Oil and Gas, and Public Procurement
- Contracts: Office Supplies and New Toner; Remanufactured Toner; Equipment Maintenance/Cost Reduction; Furniture; MRO Facilities, Electrical and Plumbing



# Agenda

- Challenging and Volatile Market
- Quantifying / Justifying Price Increases
- Mid-Contract vs. Renewal Price Increases
- Vendor Performance
- Transactional Contracts & Publishing Your Contract
- Reporting

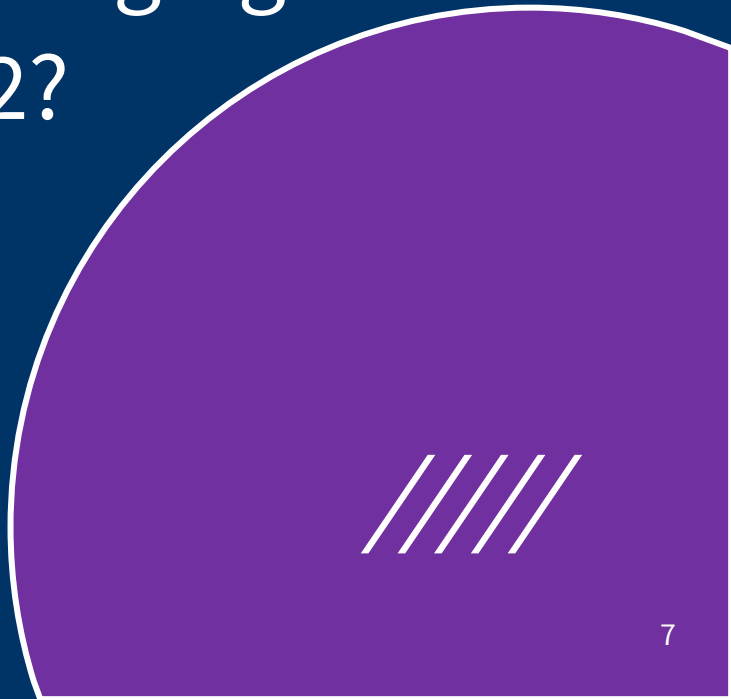


# Challenging and Volatile Markets





What are examples of a challenging and volatile market? What were some of the challenging commodities or services in 2022?



Use Live Q&A





# Challenging & Volatile Market Examples

- Commodities
  - Furniture
  - Universal washroom paper (paper market)
  - Vehicles
- Personnel Shortages
  - Non-IT Temporary Help
- Services
  - Retail Lock Box
- Interrupted Services





# Justifying a Proposed Price Increase

## Example – Office Furniture

### Market environment:

Supply chain issues due to COVID caused an unprecedented disruption in the steel and oil-based product markets.

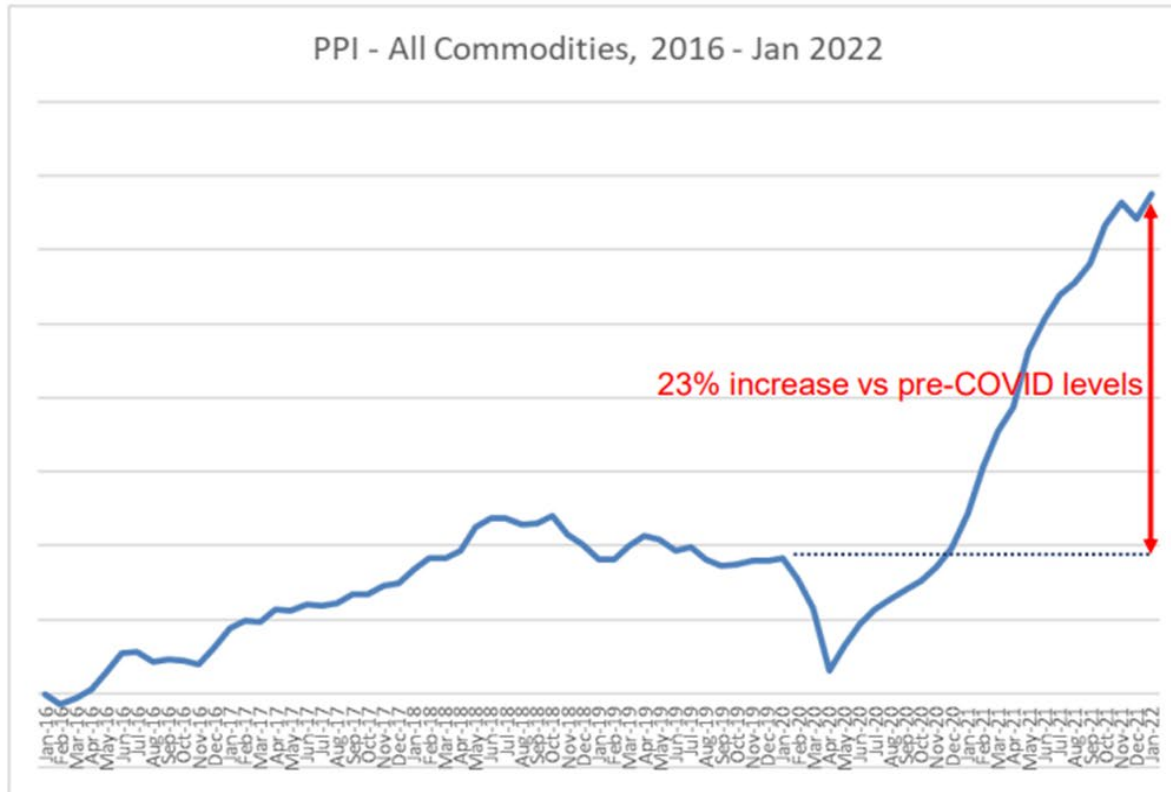
### Result:

Many vendors were forced to pass on price increases to help offset increases in their manufacturing costs. Examples below.

Steel Raw Material: 169%	Steel Components: 60%	OSB Board: 85%
Aluminum Extrusions: 46%	Seating Foam: 29%	Particleboard: 16%
Freight: 14%	Corrugated Packaging: 13%	Wages: 4.5%

# Inflation and Producer Price Index

Inflation has been steady over the last 5 years, accelerating significantly in the last 2 years.



## PPI Definition

The Producer Price Index (PPI) is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. This contrasts with other measures, such as the Consumer Price Index (CPI), that measure price change from the purchaser's perspective. Sellers' and purchasers' prices may differ due to government subsidies, sales and excise taxes, and distribution costs.

## How is PPI index calculated?

**Producer price index (PPI)** is a measure of average prices received by producers of domestically produced goods and services

## Does PPI measure inflation? Yes.

PPI is a measure of inflation from the perspective of producers.

Date	PPI WPU0
Jan-21	204.8
Jan-22	244.3
Var%	19.3%

PPI variation from Jan '21 to Jan '22



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K-C makes pricing decisions independently based on market conditions.  
All distributor pricing is at the sole discretion of the distributor.

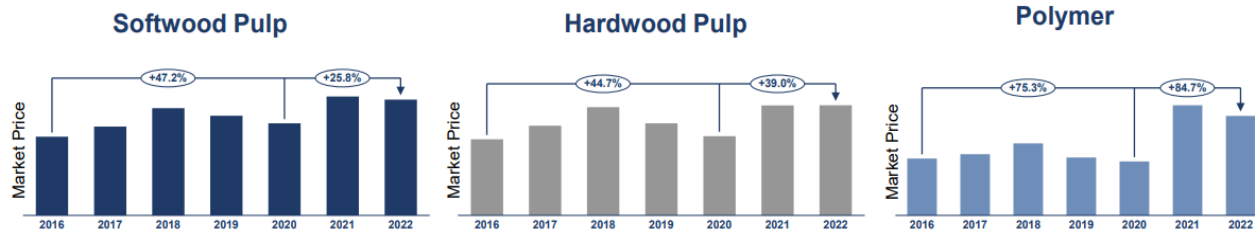
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# Cafeteria and Washroom Paper Products Increase Justification

## Key Commodities have experienced continued Cost Increases

Core commodities up 45+% since 2016



Sources: Pulp = RISI Index, Polymer = HIS Index

- Commodity Increases from 2016 to Jan 2022 were more than 45% and up to 75%
- Accelerating commodity increases from 2020 to 2022 have seen increases of 25% to 85%
- As a result, we are taking the price increase to help in offsetting this continued increase in our input costs.




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Cafeteria/Washroom Paper Manufacturer Letters/Documentation						
Effective Date	NPS	Georgia Pac	Bedford	Essity	Kimberly Clark	AVG
7/1/2021	9%				9%	
8/1/2021						7%
9/15/2021			8%			
11/1/2021	8%					8%
12/1/2021			7%		7%	
1/1/2022				10%		
3/1/2022						
4/1/2022	10%				15%	
5/1/2022			13%	15%		15%
7/1/2022	14%					
8/1/2022			18%			25%
9/1/2022	15%	18%	8%	18%	18%	25%
Total	56%	64%	33%	49%	80%	56%





When suppliers request a price increase, what information can provide justification for the request?

Use Live Q&A





# Mid-Contract vs. Renewal Price Increases

- How do you check the industry standard for a price increase?
- How do you ask the Vendor for a justification of the price increase?





# Justifying a proposed price increase

- Vendor Letter and supporting documentation
- Verify against Producer Price Indices:
  - Bureau of Labor Statistics
  - FRED St. Louis Fed
  - Procurement IQ
- Negotiate:
  - Check Requesting Cost Adjustments contract clause
  - Ask vendor to reduce the increase
    - Timeframe not appropriate
    - Increase higher than actual market
  - Ask vendor to increase the discounts, rebates, payment terms, etc.







# Vendor Performance & Supply Chain Issues

How have Vendors reacted to a market shortage or Force Majeure?

- Food products
  - Highly Pathogenic Avian Influenza A (H5N1)
    - Eggs, Chicken, Turkey
- Business Case Exceptions







# Review the Need

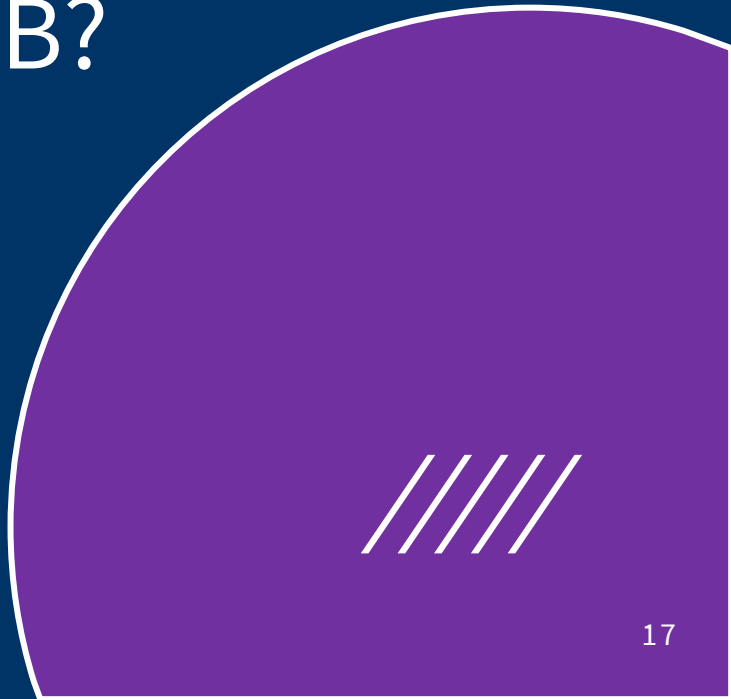
- Re-bid or cancel a contract due to the relevance of the current service?
- Review costing
- Are all the vendor(s) receiving business?
- Be forward thinking; what should I be thinking about in the future?





Have there have been allocations or shortages during your contract?  
Have you established a PLAN B?

Use Live Q&A





# What is Plan B?

Plan B – what is it for now and in the future?

- How do you find solutions when an industry is so volatile?
- How do you address additional costs that were not originally factored into the original item/service?

Put plans in place that can assist you in addressing these issues in the future  
Procurements and Services constantly evolve – How can we be proactive?



# Reporting





# Reporting

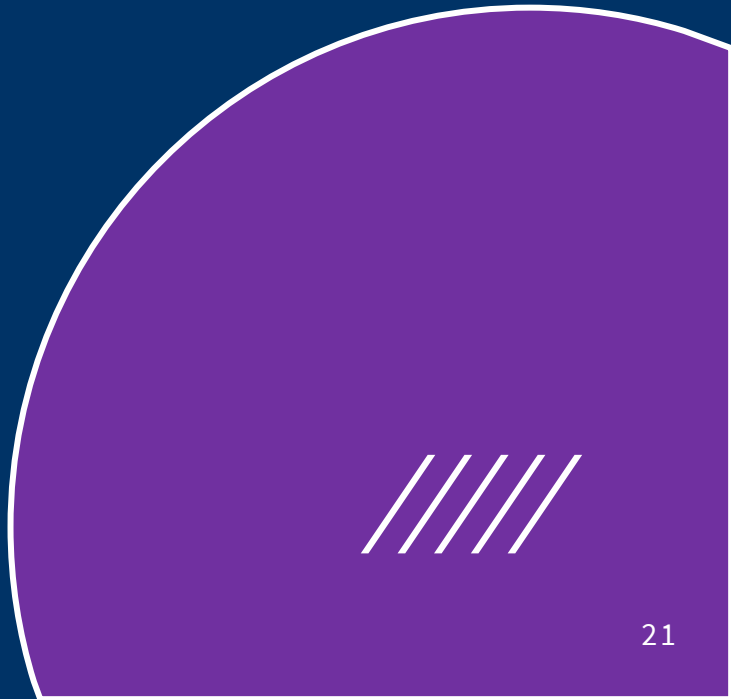
- Keep reporting up-to-date
- Review pre-pandemic to current usage
- How should a new procurement be established?





# How often do you ask vendors for reports?

Polling Question



# Reporting

- Example – MRO Electrical and Plumbing
  - Reporting requirements detailed on the Request for Bid
  - Important for determining purchasing authority thresholds, justifying renewals and background information for future Request for Bids

Name of Agency/University/Municipality	Customer Account Number	Card Purchaser	Order Number	Order Date	Quarter	Year	Product Description	Product Subcategory	Contract or Product Number	Manufacturer Name	Manufacturer SKU or Product Number	End User Unit Price	Quantity Ordered	Extended Price
UW MADISON	2E+05	N	367192-0	03/10/22	Q1-2022	2022	2/850/ECO FLUO	LAMPS	FO32850E	SYLVANIA	22143	\$ 1.32	180	\$ 237.60
45 N. CHAR	WI037	N	WI03733	9/6/22	Q3-2022	2022	30-071Connecto	Twist-On Wire Cor	0721245	IDEAL INDUSTRIES	30-071	\$ 0.13	500	\$ 63.55
45 N. CHAR	WI037	N	WI03733	9/6/22	Q3-2022	2022	16-14 250x032	Disconnects	58569	Power Phase[REG]	58569	\$ 0.34	100	\$ 33.98
45 N. CHAR	WI037	N	WI03733	9/12/22	Q3-2022	2022	18.1"x5"x.060"	Cable Ties	0753454	PANDUIT CORP.	BT5LH-C	\$ 1.13	200	\$ 226.80
45 N. CHAR	WI037	N	WI03733	9/26/22	Q3-2022	2022	12-10 #10Lk Fk	Terminals	0714350	3M PRODUCTS	00054007948	\$ 0.39	50	\$ 19.31
45 N. CHAR	WI037	N	WI03733	9/12/22	Q3-2022	2022	RedTwistConnec	Twist-On Wire Cor	0701820	IDEAL INDUSTRIES	30-652	\$ 0.20	500	\$ 100.65
45 N. CHAR	WI037	N	WI03733	9/2/22	Q3-2022	2022	30-072Connecto	Twist-On Wire Cor	0721246	IDEAL INDUSTRIES	30-072	\$ 0.06	100	\$ 5.96
45 N. CHAR	WI037	N	WI03733	9/2/22	Q3-2022	2022	30-072Connecto	Twist-On Wire Cor	0721246	IDEAL INDUSTRIES	30-072	\$ 0.06	400	\$ 23.84



# Reporting

- Example – MRO Electrical and Plumbing
  - Resulting analysis

## Vendors being used

Adjusted Name	(Multiple Items)		
Agency and Campus Spend			
Sum of Extended Price	Column Labels		
Vendor	2020	2021	2022
Grainger	\$3,978,350	\$27,318,638	\$4,359,361
First Supply	\$1,970,325	\$1,856,831	\$1,528,271
Viking	\$719,802	\$869,989	\$566,757
Columbia Pipe	\$183,507	\$422,902	\$482,733
Crescent Electric	\$464,717	\$442,102	\$426,689
Ferguson Enterprises	\$272,723	\$317,909	\$405,739
Fastenal	\$82,609	\$100,208	\$93,184
Neher	\$20,916	\$19,685	\$17,777
Grand Total	\$7,692,949	\$31,348,264	\$7,880,512
Grainger spend unusual due to PPE purchases during COVID pandemic.			

## Agencies using the contract

Use this table to determine which agency to deep dive with the pivot to the left

Agency/Campus	2020	2021	2022
DEPT OF HEALTH	\$3,935,335	\$27,273,967	\$4,314,240
UW Madison	\$3,757,613	\$4,074,296	\$3,566,271
OSHKOSH CORRECTIONAL INSTITUTION	\$289,093	\$154,061	\$483,758
STANLEY CORRECTIONAL INST	\$353,263	\$165,569	\$296,918
FOX LAKE CORRECTIONAL INS	\$393,796	\$232,032	\$287,882
DOC	\$415,939	\$427,071	\$280,902
RACINE CORRECTIONAL INST	\$301,316	\$233,546	\$271,461
LINCOLN HILLS SCHOOL	\$312,389	\$108,708	\$259,562
WAUPUN CORRECTIONAL INSTITUTE	\$379,669	\$188,460	\$243,576
MENDOTA MENTAL HEALTH INSTITUTE	\$314,465	\$243,235	\$234,398
KETTLE MORAIN CORRECTION	\$248,610	\$196,454	\$222,051
MILWAUKEE SECURE DETENTION	\$414,717	\$422,259	\$220,382


## Vendors used by agencies

Adjusted Name	UW Madison		
Agency and Campus Spend			
Sum of Extended Price	Column Labels		
Vendor	2020	2021	2022
First Supply	\$1,970,325	\$1,856,831	\$1,528,271
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Ferguson Enterprises	\$272,723	\$317,909	\$405,739
Fastenal	\$82,609	\$100,208	\$93,184
Grainger	\$43,015	\$44,670	\$45,120
Neher	\$20,916	\$19,685	\$17,777
Grand Total	\$3,757,613	\$4,074,296	\$3,566,271



# Publishing Your Contract & Transactional Contracts





When publishing your contract to VendorNet (or other contract system), what information should you post?

Use Live Q&A





# VendorNet – Publishing Your Contract

- Best Practice is to publish the following:
  - User Guide
  - Pricing configuration
  - Vendors & their Contact Information
  - Whether Piggybacking is an option



# Transactional Contracts in STAR

- Review “basic minimum” information to input into PS-STAR
  - NIGP Codes
  - Print screen of the boxes/information to be completed
  - Review WHY it’s important
  - Ramifications of an expired contract in PS

**Contract Categories**

**Lines**

[Details](#) | [Pricing Options](#) | [Release Amounts](#) | [Spend Threshold](#)

Line	Category	Description	Status
1	02061	Loaders, Tractor Mounted, Farm	Active
2	02065	Mower (Steep Slope Type with Cutter Head on Telescoping Boom	Active
3	02066	Mower, Tractor Mounted (Steep Slope Type with Cutter Head on	Active
4	02067	Mower-Tractor Unit or Self-Propelled Mower, for Slope Mowing	Active
5	02068	Mower, Center Mounted; and Tractor (See Class 515 for Lawn T	Active
6	02089	Tractors, Farm, Wheel Type	Active
7	07102	All Terrain Amphibious Vehicles, Search and Rescue	Active

**Contract Open Item Reference**

Allow Open Item Reference  
 Adjust Supplier Pricing First

Price Can Be Changed on Order  
[Add Open Item Price Adjustments](#)

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Contract Management Questions or  
Examples you would like to share?



# Future Questions – Please reach out to?



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