

ESUCC Coop Strategic Plan

April 4, 2017

Targeted Outcome: The ESUCC will develop strategy and implement an action plan designed to reduce the ESUCC Coop Administrative Fee as the program increases in sales/revenue through the Annual Buy.

Variables: **Funding:**

How do other states fund their statewide Coop program?

- Possibilities
 - Tax Levy
 - State Aid
 - Membership fee
 - Admin Fees from vendors
 - Rebates to members based on purchases (Indirect by driving sales to the Cooperative)

What total FTE is included within the budget for other statewide programs?

- Kentucky (1 FTE - Procurement staff only)
- Minnesota (5% of Procurement budget goes to Administration costs for Salaries, Benefits, etc.)

Do other states charge a fee to their Vendors?

- 15 responses to Survey
 - 6 collect 2% Admin fee
 - 1 collects 1% Admin fee
 - 2 collect no Admin fee
- Minnesota lowered Admin fees 12-15 years ago from 5%. She said that at that time 5% Admin fees were common.

Do other states charge a fee to their Members?

- 15 responses to Survey
 - 1 collects \$100 annually
- Minnesota has no membership fee and only operates on Admin fees from vendors.

ESM to Equal Level:

Have line item bids significantly increased since the implementation of the 5% Administrative Fee/Direct Delivery?

- 2014 Paper - 129 catalog items, Annual Buy - 2,952

- 2015 Paper - 126 catalog items, Annual Buy - 2,880
- 2016 Paper - 157 catalog items, Annual Buy - 2,854
- 2017 Paper - 158 catalog items, Annual Buy - 3,227

The 2017 Paper Catalog consisted of more line items than in previous years, yet sales are lower than ever before.

The 2017 Coop Catalog consists of more line items than in previous years, total sales are ??????? as compared to previous years.

How many vendors have stopped bidding since the inception of the 5% Administrative Fee?

- 29 since 2013 prior to when Admin fees increased to 5% and direct delivery was implemented
 - [Vendor Tracking](#)

Note: Direct Delivery and 5% admin fee to vendors happened at the exact same time. Will need to determine how many vendors left due to vendor admin fee change vs. how many left due to direct delivery and/or the possibility of vendors merging or going out of business.

Data:

What does the trend data show regarding sales prior to 2014 and following the implementation of 5% Administrative Fee and direct delivery?

- [Yearly Revenues](#)
- Since 2009-2010 revenue has decreased every year except for 2012-2013 and 2017-2018

What does the trend data show regarding the number of vendors prior to and following the implementation of the 5% Administrative Fee/direct delivery?

- [Vendor Tracking](#)
- Prior to implementing 5%/direct delivery 2006-2013
 - Lowest count was in 2012 with 54 vendors
 - Highest count was in 2010 with 66 vendors
- Following implementing 5%/direct delivery 2014-2017
 - Lowest count was in 2017 with 29 vendors
 - Highest count was in 2014 with 47 vendors

What areas are in need of more line item bids? Do we have some areas with 0 line item bids? What does the trend data show for the past five years? How many line item bids are provided without any purchases made?

What bid sections are in need of recruiting vendors to bid.

- Technology (pricing is higher at times than what AEPA pricing is, MNJ Technologies offers competitive pricing on AEPA bid and is a vendor that has bid on the Annual Buy in the past).
- Science (lost Sargent Welch)

What features from other coop programs (i.e.-Amazon) could support the ESUCC Coop efforts?

How many line items did we have in the catalog over the past 5 years? Has the number of line items in the bid been affected by vendors not participating? If the catalog now has fewer line items, is it because we are not getting bids on those items? If the catalog now has more line items, yet sales are down, is that an indication that schools are not purchasing from Coop? If so, Why?

Due in part to the paper sales declining, are school districts using less paper?

Delivery Period:

Could the ESUCC Coop offer multiple delivery periods? Does the ESUCC have the personnel capacity to offer this service?

Could the ESUCC Coop offer different payment options for districts that wish to pay for Coop from the current year or from the following year?

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Can the ESUCC 'bankroll' this option?

- Legal council has already said this is not legal and recommends not to consider this option.

Vendors:

Multistate Efforts:

Can vendors from other states participate in the ESUCC Coop program?

- Yes, 2017 we had 24 outstate vendors and 5 in state vendors

Would other states wish to partner with the ESUCC Coop Program?

- Discussion with Minnesota
 - Concerns where they have gotten away from aggregated large orders and only ordering on an as needed basis.

- Contract with Office Supply vendor, would want to pull this from the catalog.
- Discussed the Extended catalog with them and they would be interested in this, it also lowers their cost with Equal Level (No need for the Aggregated Order Module)
- Interested in moving forward an Intergovernmental agreement.
 - Further discussion on piggy backing off contracts and handling of Admin fees needed

Marketing:

Has the marketing approach changed during the past five years and has it impacted the ESUCC Coop Program?

Does the ESUCC need to market in areas other than the ESUCC Website? (The OWH was utilized as a marketing tool in the past.)

Does the ESUCC need to promote with vendors the need for additional line item bids in specific areas?

Does the ESUCC need to survey Users of the Coop Service and Vendors providing the line items bids?

Does Equal Level need to be involved in marketing strategy for the ESUCC Coop Program?

What marketing tools/approaches could the ESUCC Coop Program implement for a targeted audience of cities/counties?

- Letters have been mailed to identified agencies, no Inter Locals where entered from these mailings.

Would there be a benefit in reducing the 5% Administrative Fee to 4.75% for next year as an approach of good faith efforts?

If the Admin Fee was decreased, how many returning and/or new vendors is Coop expecting to gain? By decreasing the admin fee, and potentially increasing vendor participation, will sales/revenue increase?

Surveys

- Vendor Survey:
 - Could a survey be implemented with Vendors regarding targeted areas specific to the Admin Fee, delivery options, payment options? Yes, [Survey Questions](#)

Timeline:

If the Administrative Fee were reduced for Nebraska efforts only, the decision to reduce the Administrative Fee would need to be in place by September 1.

If the Administrative Fee were reduced for multi-state efforts, the decision to reduce the Administrative Fee would need to be in place by May 1.

Supporting Data

Prior to NECPAS

- School paid 3.5% Admin fee to Coop
- School paid local ESU Admin fee percentage (This ranged from 2% to 6.5%)
- Vendor includes in bid cost of shipping to 17 ESU's.
- Member Equities paid back to ESU's by Coop
- Total percentage paid by vendors (0%)

NECPAS Years

- Vendor paid 1.45% to fund cost of NECPAS (fee for NECPAS was about \$50,000)
- School paid 3.5% Admin fee to Coop
- School paid local ESU Admin fee percentage (This ranged from 2% to 6.5%)
- Vendor includes in bid cost of shipping to 17 ESU's.
- Total percentage paid by vendors (1.45%)

ESM Years

- Year 1 (fee for ESM was about \$110,000)
 - Vendor paid 1.45% to fund cost of ESM
 - School paid 3.5% Admin fee to Coop
 - School paid local ESU Admin fee percentage (This ranged from 2% to 6.5%)
 - Vendor includes in bid cost of shipping to 17 ESU's.
 - Vendor billed one Invoice to ESUCC
 - Vendor paid \$99 ESM fee to bid
 - Total percentage paid by vendors (1.45% and \$99 year)
- Year 2-3 (fee for ESM was about \$220,000)
 - Vendor paid 5% to fund cost of ESM
 - School paid 0% Admin fee to Coop
 - Vendor includes in bid cost of shipping to all Schools.
 - Vendor billed all Schools separately
 - Vendor paid \$99 ESM fee to bid
 - Total percentage paid by vendors (5% and \$99 year)

Equal Level Years (fee for IonWave & Equal Level \$75,000)

- Vendor paid 5% to ESUCC
- School paid 0% Admin fee to Coop
- Vendor includes in bid cost of shipping to all Schools.
- Vendor billed all Schools separately

Total percentage paid by vendors (5%)

Coop Project Expenses & Revenue -

2015-2016 Fiscal Year:

Audit confirmed total Coop expenses at \$569,971

Total Coop receipts were confirmed at \$500,965

Therefore, Coop realized a loss of \$69,006

Current Fiscal Year, 2016-2017:

We projected Annual Buy and Paper Sales to be \$3.5 million resulting in \$175,000 in revenue.

We now know that Paper Buy revenue is down by about \$7,020.64

If Annual Buy sales are equal to last year (\$2.4 million), we should receive about \$124,682.30 in revenue for a total of \$163,919.46.

Taking the above into account, this brings our projected revenue for the current year to \$405,685.46, IF all other sales remain as predicted.

Budgeted expenses for the current year, minus ESM "fluff" are at about \$592,351

Current actual expenses through February (6 months) are \$337,681.25

In summary, we could be looking at a loss of about \$186,665.54 for the current year.

Keep in mind that when we created the budget for this year, Coop was at a \$285,585 deficit.

Budget Projections for 2017-2018:

- Expenses = \$490,326.00. This includes salary adjustments and adjustments for the ESM settlement.

- Revenue = \$405,685.46. IF paper sales are equal to this year and we get at least 2.4 million in annual buy sales and all other sales are equal to original projections.

This leaves us with a budget shortfall of \$84,640.54 for next year.

Sales History:

2013 Total Annual Buy Sales = \$4,612,760.50

Paper Sales = \$993,236.96

Coop Sales = \$3,619,523.54

2014 Total Annual Buy Sales = \$4,367,848.69

Paper Sales = \$1,102,048.77

Coop Sales = \$3,265,799.92

2015 Total Annual Buy Sales = \$3,954,205.51
Paper Sales = \$1,079,497.81
Coop Sales = \$2,874,707.70

2016 Total Annual Buy Sales = \$3,418,762.08
Paper Sales = \$925,156.08
Coop Sales = \$2,493,646.00
(29 awarded vendors)

2017 Total Annual Buy Sales = \$3,170,416.00
Paper Sales = \$790,259.16
Coop Sales = \$2,380,156.84
(26 awarded vendors)

2018 Total Annual Buy Sales = \$3,273,675.17
Paper Sales = \$866,109.76
Coop Sales = \$2,407,565.41
(29 awarded vendors)

PAPER101 Email - Thoughts on decline of paper sales based on phone conversation we had.
Craig,

In regards to our phone conversation the other day. We are starting to see a decline in the size of copy paper orders from TSB Coops.

We think there are a number of reasons:

- Budget constraints- Schools redirecting funds
- Use of alternatives to paper for teaching students- laptops for example
- Restrictions on amount of paper that can be used- Teachers only allowed a certain amount to use
- Keeping less inventory on hand- Ordering less more often to affect cash flow
- Competition using public information (pricing) to go after current bids
- Coops with high admin fees- especially on truckload or larger quantities
- Office Supply companies offering a just in time delivery with other items

Hope this list helps

[2017 Paper Buy Survey Results](#)