



## **State of Ohio Spend Assessment**

**February 2008**



# Table of Contents

## ▪Timeline

### ▪Key Findings

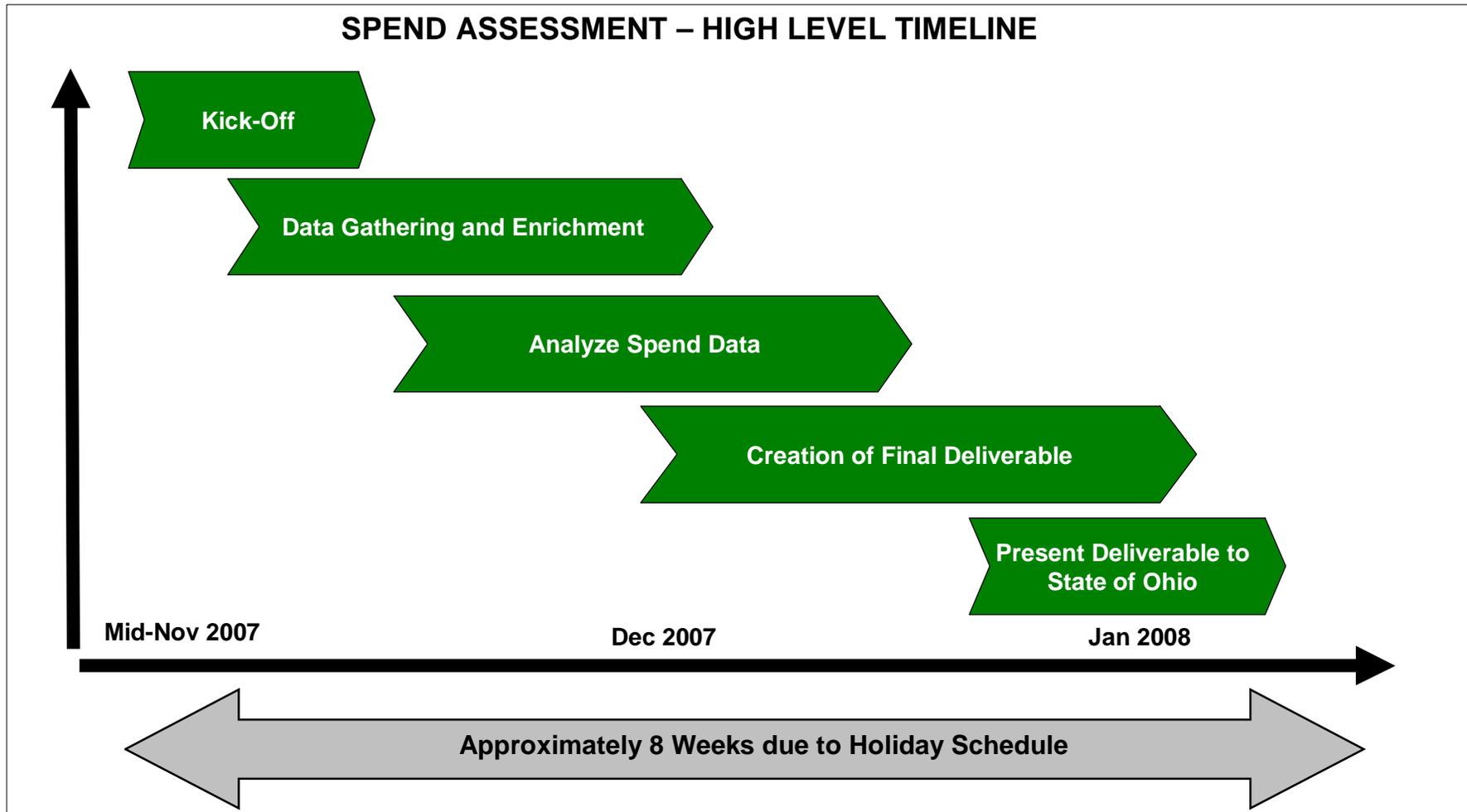
- Spend Profile
- Category Prioritization Matrix
- Category Sourcing Wave Plan
- Category Profiles
  - Wave 1
  - Wave 2
- Savings Opportunity Summary

### ▪Implementation Plan



# Timing and Approach

The scope of the spend assessment consisted of five high level stages and required approximately eight weeks to complete.





# Table of Contents

## ▪Timeline

## ▪Key Findings

- Spend Profile
- Category Prioritization Matrix
- Category Sourcing Wave Plan
- Category Profiles
  - Wave 1
  - Wave 2
- Savings Opportunity Summary

## ▪Implementation Plan



# Table of Contents

- **Timeline**

- **Key Findings**

  - **Spend Profile**

    - **Category Prioritization Matrix**

    - **Category Sourcing Wave Plan**

    - **Category Profiles**

      - **Wave 1**

      - **Wave 2**

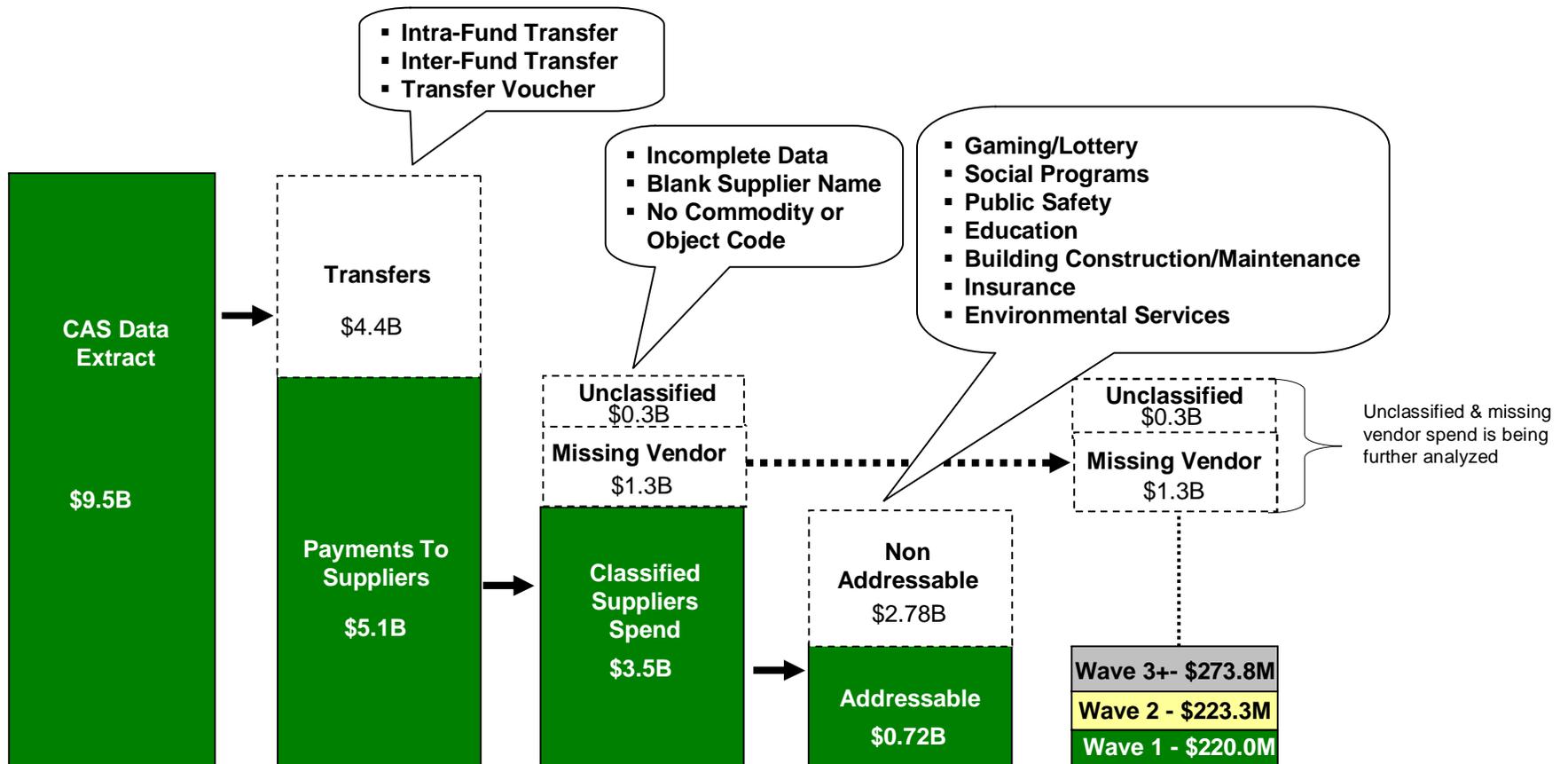
    - **Savings Opportunity Summary**

- **Implementation Plan**



# Spend Profile

The Spend Analysis starts with the entire “pie” of spend from CAS and is analyzed to determine how much of the spend could be considered sourceable.





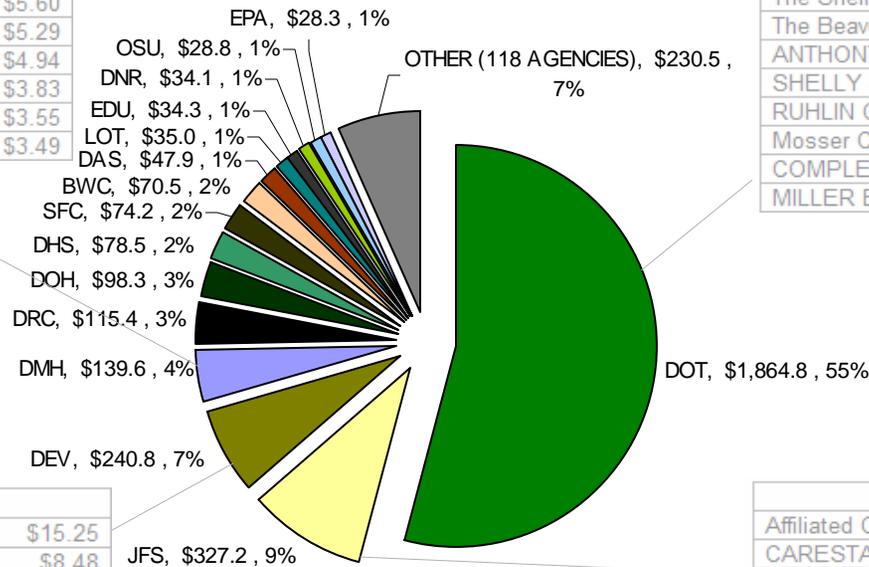
# Classified Spend Analysis by Agency

88% of the State of Ohio's classified spend falls within 10 Agencies.

- State of Ohio Spend by Agency (\$M) -  
Total \$3.5B

DMH	
CAPITAL WHOLESALE DRUG CO	\$21.23
RELIA MED DISTRIBUTORS LLC	\$6.71
ORTHO PHARMACEUTICAL CORP	\$6.20
Compass Group plc	\$5.60
PRESCRIPTION SUPPLY INC	\$5.29
Baxter International Inc.	\$4.94
AstraZeneca plc	\$3.83
AmerisourceBergen Corp.	\$3.55
SUPREME FOOD RESOURCE INC	\$3.49

DOT	
Kokosing Construction Company, Inc.	\$322.01
The Shelly Company	\$106.75
The Beaver Excavating Company, Inc.	\$97.05
ANTHONY ALLEGA CEMENT CONTRACTOR	\$84.77
SHELLY & SANDS INC	\$82.00
RUHLIN COMPANY	\$65.80
Mosser Construction Inc.	\$65.65
COMPLETE GENERAL CONSTR CO	\$47.05
MILLER BROTHERS CONSTR INC	\$44.16



DEV	
REGIONAL GROWTH PARTNERSHIP	\$15.25
ULTRACELL CORPORATION	\$8.48
KENT DISPLAYS INC	\$8.00
GrafTech International Ltd.	\$7.95
WIL RESEARCH LABORATORIES LLC	\$7.00
AMYLIN OHIO LLC	\$6.65
SKYBUS AIRLINES INC	\$6.55
Swagelok Company	\$5.50
Whirlpool Corp	\$5.40

JFS	
Affiliated Computer Services, Inc.	\$37.61
CARESTAR INC	\$27.04
SABER SOLUTIONS INC	\$17.61
Dynamics Research Corporation	\$16.13
AT&T Inc.	\$8.62
Compuware Corporation	\$7.68
AUTOMATED HEALTH SYSTEMS INC	\$5.97
YOUNG SERVICES INC	\$5.83
Sirius Computer Solutions, Inc.	\$5.77

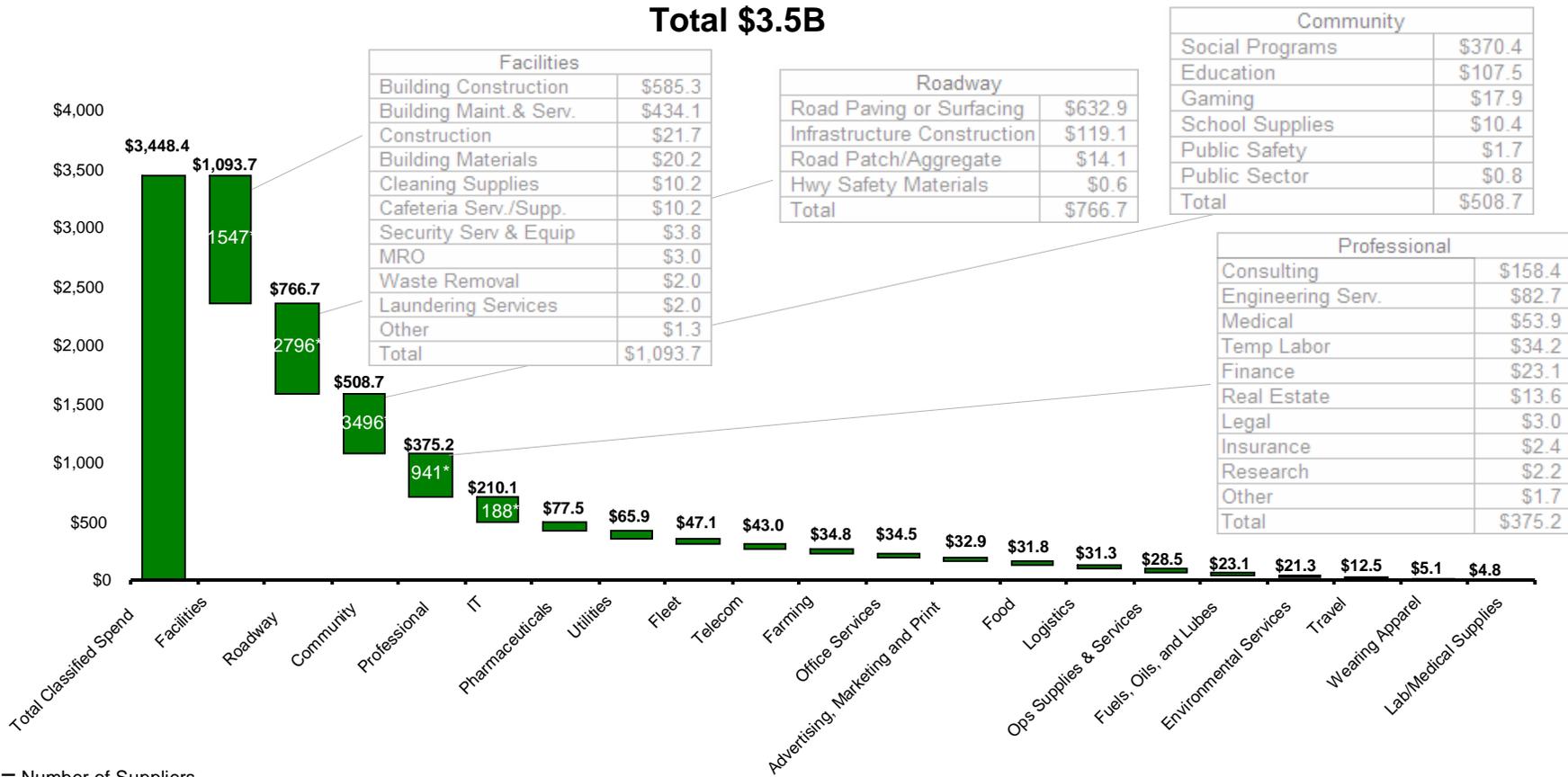
Source: FY07 CAS Accounts Payable Extract



# Classified Spend Analysis by Category

Facilities, Roadway, Community, and Professional represents 80% (\$2.7B) of the total classified spend.

- State of Ohio Spend by Category (\$M) -  
Total \$3.5B



\* = Number of Suppliers

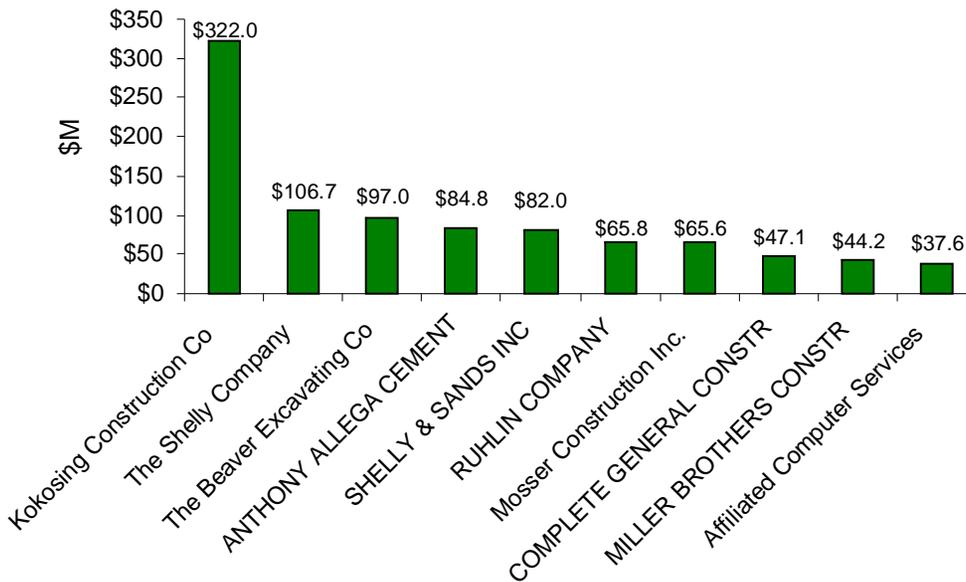
Source: FY07 CAS Accounts Payable Extract



# Classified Spend Analysis by Supplier

Of the top ten suppliers within classified spend, six (6) fall within the 'Facilities' category and three (3) fall within the Roadway category.

- State of Ohio Spend by Vendor (\$M) -  
Total \$0.952B of \$3.5B



## Takeaways

- Top 10 suppliers make up 28% of the total classified spend
  - Kokosing Construction Co. alone is responsible for 9% of the total classified spend
- For the top 10 suppliers, the classified spend with each supplier is comprised of 7 or less agencies
  - DOT has the largest spend with 9 of the top 10 suppliers
  - JFS has the largest spend with Affiliated Computer Services

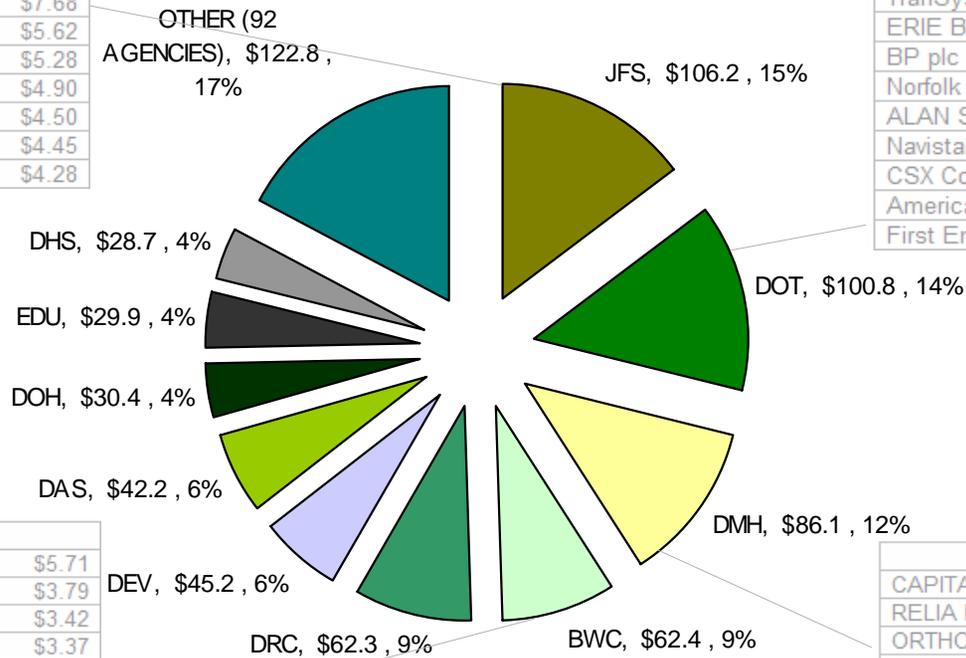


# Addressable Spend Analysis by Agency

**83% of the State of Ohio's addressable spend falls within 10 Agencies.**

JFS	
SABER SOLUTIONS INC	\$17.61
AT&T Inc.	\$8.62
Compuware Corporation	\$7.68
Towers Perrin	\$5.62
Deloitte Touche Tohmatsu	\$5.28
CGI TECHNOLOGIES & SOLUTIONS	\$4.90
Qwest Communications	\$4.50
Pomeroy IT Solutions, Inc.	\$4.45
EDS INFORMATION SERVICES	\$4.28

**- State of Ohio Spend by Agency (\$M) - Total \$0.72B**



DOT	
TranSystems Corporation	\$19.85
ERIE BLACKTOP INC	\$14.06
BP plc	\$13.24
Norfolk Southern Corp.	\$6.81
ALAN STONE CO INC	\$5.87
Navistar International Corporation	\$5.73
CSX Corporation	\$3.40
American Electric Power Co	\$2.78
First Energy Corp.	\$1.38

BWC	
International Business Machines Corp.	\$5.71
Pitney Bowes Inc.	\$3.79
ASTUTE INC	\$3.42
HARRIS MACKESSY & BRENNAN	\$3.37
CDW Corporation	\$2.42
Compuware Corporation	\$2.34
ENTERPRISE RESOURCE PARTNERS	\$2.19
NETWAVE CORPORATION	\$2.11
Software House International, Inc.	\$1.62

DMH	
CAPITAL WHOLESALE DRUG CO	\$21.23
RELIA MED DISTRIBUTORS LLC	\$6.71
ORTHO PHARMACEUTICAL CORP	\$6.21
Compass Group plc	\$5.60
PRESCRIPTION SUPPLY INC	\$5.29
AstraZeneca plc	\$3.83
R & S NORTHEAST LLC	\$3.03
Bellco Health Corp.	\$2.81
STELLAR MARKETING INC	\$2.26

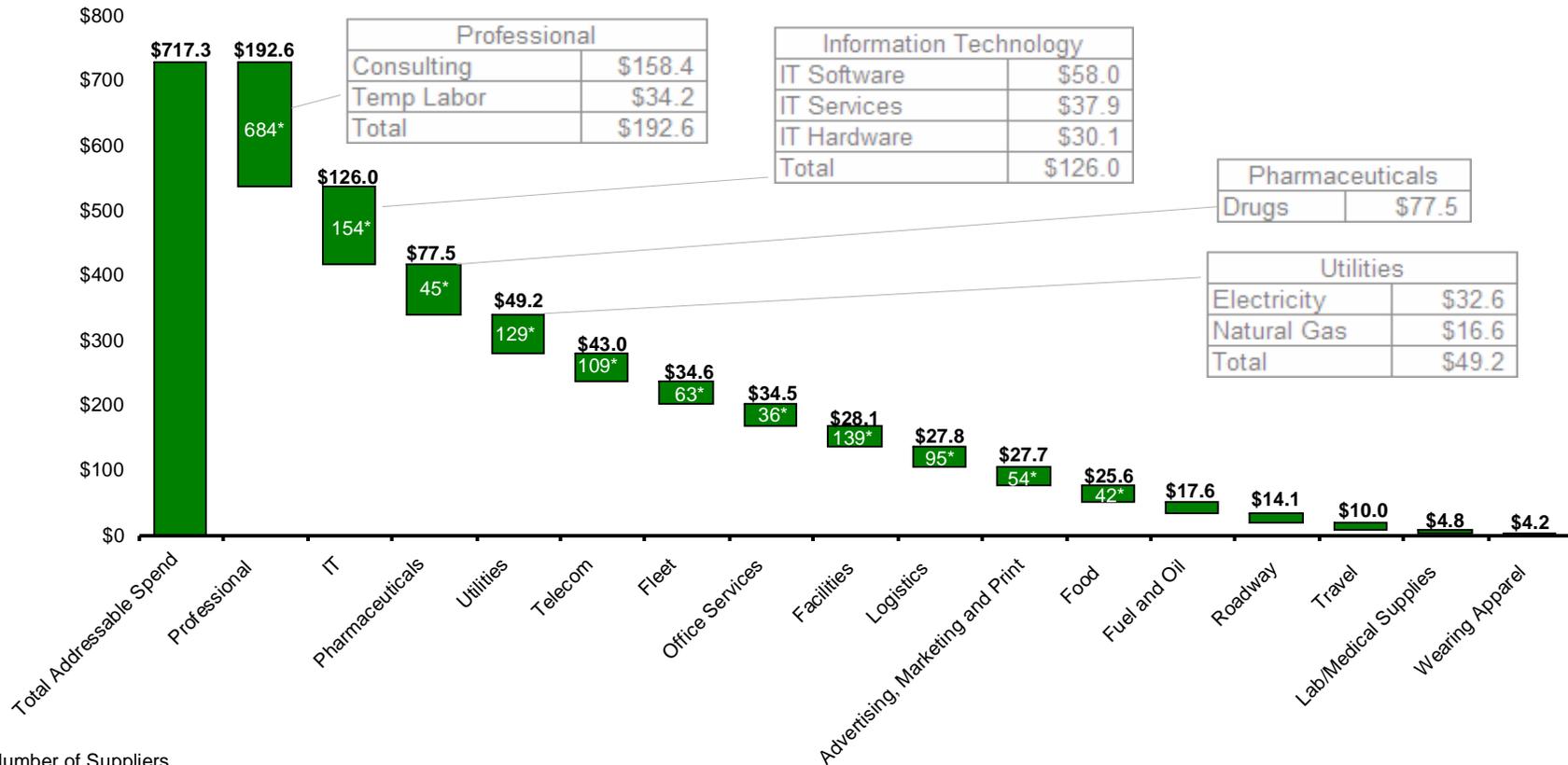
Source: FY07 CAS Accounts Payable Extract



# Addressable Spend Analysis by Category

Professional, IT, Pharmaceuticals and Utilities represents 62% (\$445M) of the total sourceable spend.

- State of Ohio Spend by Category (\$M) -  
Total \$0.72B



\* = Number of Suppliers

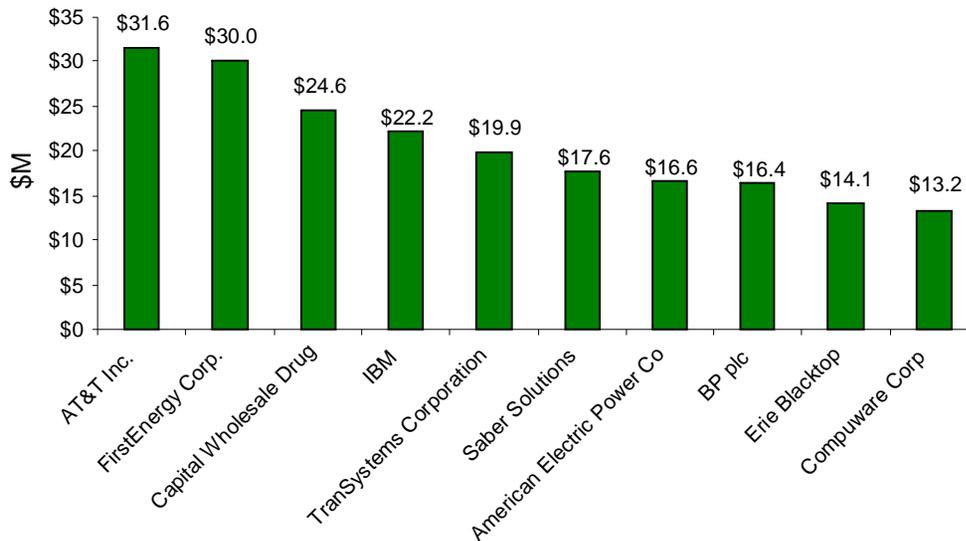
Source: FY07 CAS Accounts Payable Extract



# Addressable Spend Analysis by Supplier

Of the top ten suppliers in addressable spend, three (3) fall within the Professional category and two (2) within the Utilities category.

**- State of Ohio Top 10 Suppliers (\$M) -  
Total \$0.21B of \$0.72B**



## Takeaways

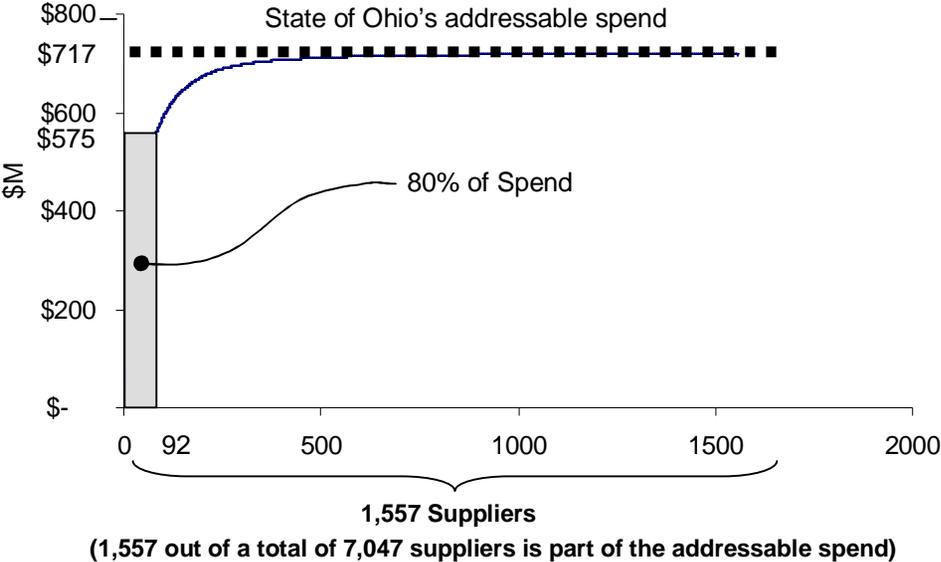
- Top 10 suppliers make up 29% of the total sourceable spend
  - Sourceable spend does not include Construction and Road Paving categories
- 6 of the top 10 suppliers, the spend is fragmented across multiple agencies
  - AT&T spend is comprised of 54 agencies
  - First Energy spend is comprised of 25 agencies
  - American Electric Power spend is comprised of 26 agencies
  - BP spend is comprised of 17 agencies
  - Compuware Corp spend is comprised of 16 agencies



# Addressable Spend Analysis by Supplier

Of the total suppliers within addressable spend, 92 suppliers consist of 80% of the addressable spend and the top ten suppliers make up 29% of the addressable spend.

- State of Ohio Supplier Concentration Curve (\$M) -



## Takeaways

- 6% (92 suppliers) of the supply base is responsible for 80% of the total sourceable spend
  - Bulk of the spend is concentrated with suppliers from the Professional, Utilities and IT categories
- 15% (234 suppliers) of the supply base is responsible for 95% of the total sourceable spend



# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - **Category Prioritization Matrix**

  - Category Sourcing Wave Plan

  - Category Profiles

    - Wave 1

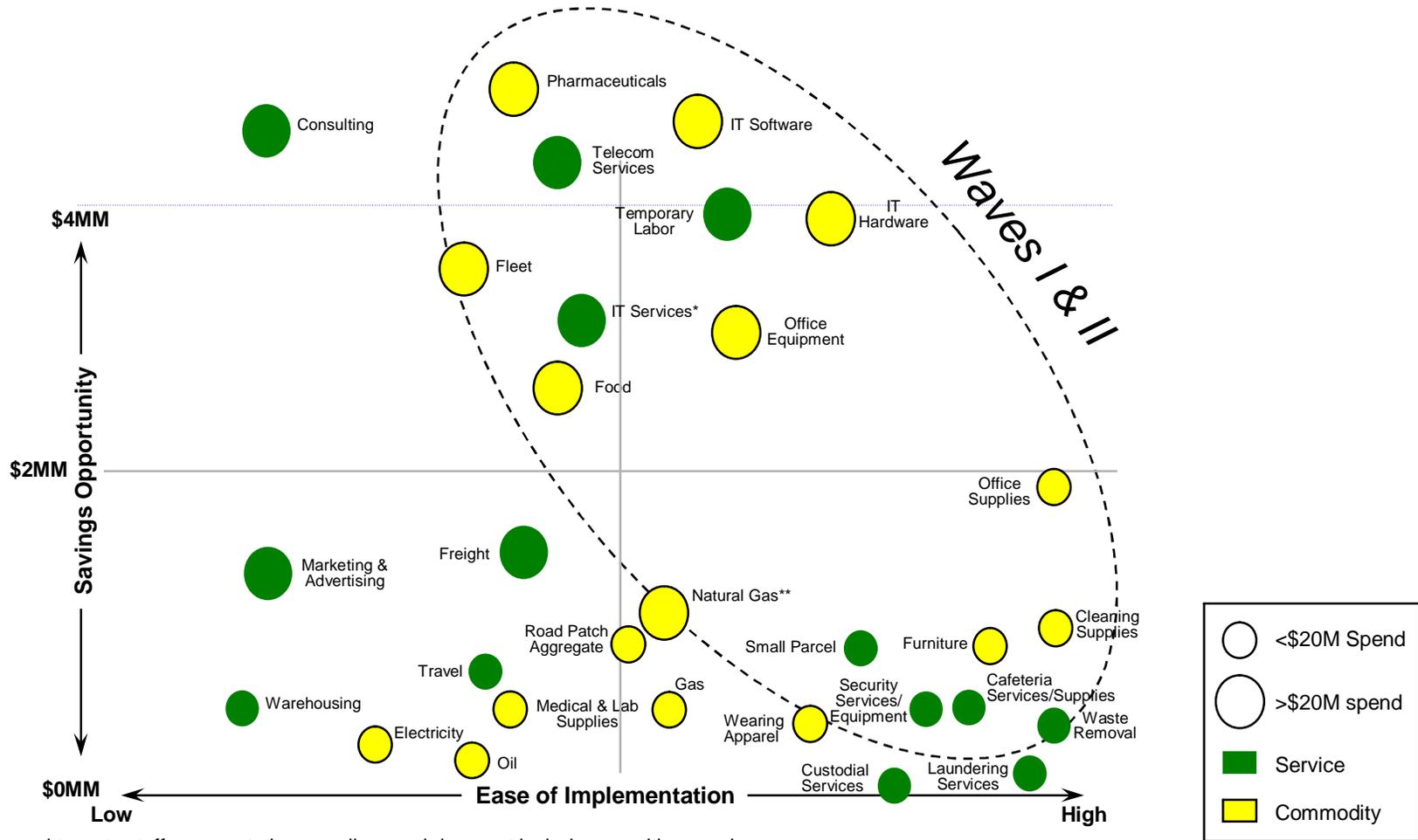
    - Wave 2

  - Savings Opportunity Summary

- **Implementation Plan**

# Category Prioritization Matrix

**Eighteen Categories have been identified as Wave I & II based on savings opportunity and ease of implementation.**



\* IT Services spend targets staff augmentation suppliers and does not include consulting services

\*\* The LDC distribution cost portion (25%) of the total spend for Natural Gas is considered non-addressable



# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - Category Prioritization Matrix

  - **Category Sourcing Wave Plan**

  - Category Profiles

    - Wave 1

    - Wave 2

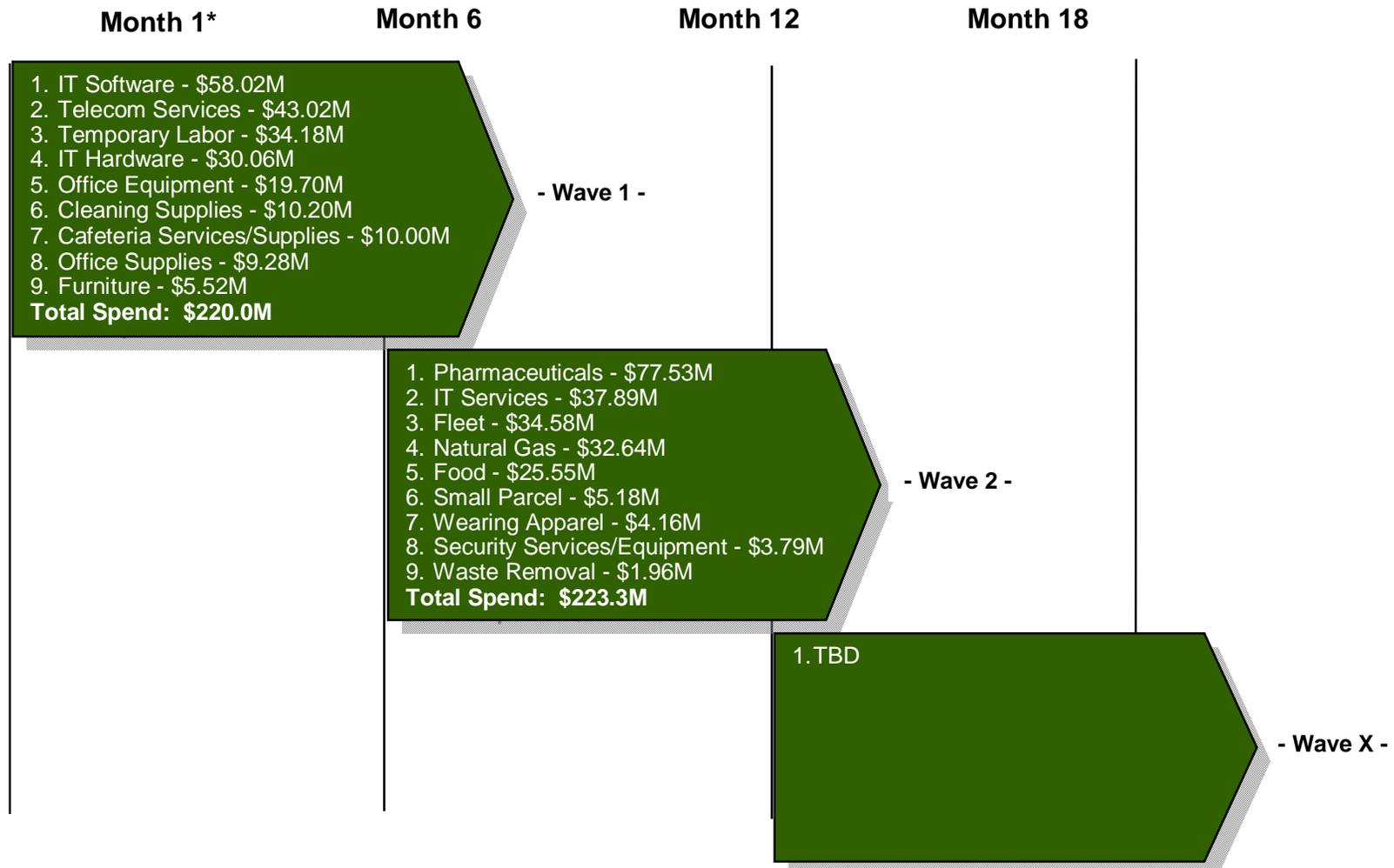
  - Savings Opportunity Summary

- **Implementation Plan**



# Category Sourcing Wave Plan - Example

**Waves I and II will require approximately 6 to 8 months each to complete and will account for approximately \$443M in addressable spend.**





# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - Category Prioritization Matrix

  - Category Sourcing Wave Plan

  - **Category Profiles**

    - Wave 1

    - Wave 2

  - Savings Opportunity Summary

- **Implementation Plan**



# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - Category Prioritization Matrix

  - Category Sourcing Wave Plan

  - Category Profiles

    - **Wave 1**

    - **Wave 2**

  - Savings Opportunity Summary

- **Implementation Plan**



# IT Software - Overview

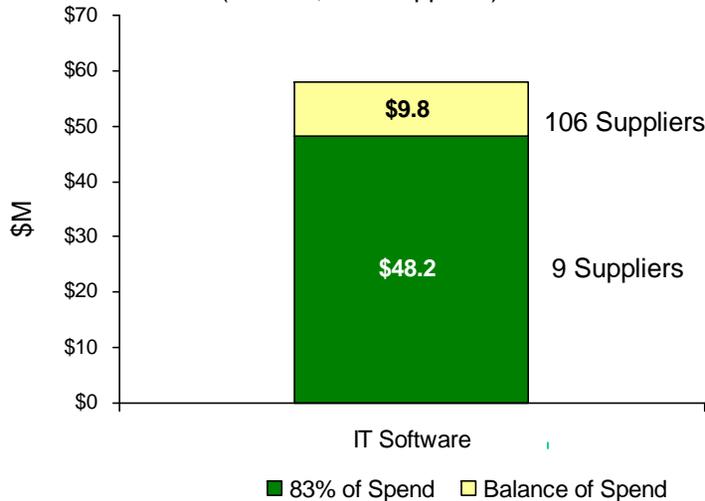
**IT Software has \$58.0M in addressable spend with an estimated savings range of \$5.2M (9%) to \$8.7M (15%). There are 115 suppliers who provide IT Software to 68 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$58.0M <sup>(1)</sup>
Addressable Spend	\$58.0M
<u>Opportunity (9% - 15%)</u>	<u>\$5.2M - \$8.7M</u>
Timing	~ 6 months

### Supplier Concentration<sup>(1)</sup>

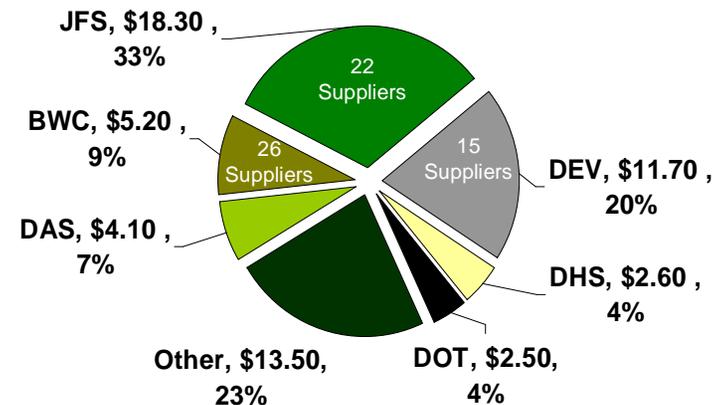
IT Software - (\$58.0M, 115 Suppliers)



## Commodity Profile

- JFS, DEV, and BWC are the largest users and represent 62% of the total addressable spend
- There are 115 suppliers within the IT software category
  - Top 10 suppliers represent 85% of the total addressable spend
  - 106 suppliers consist of over \$9.8M in spend
- MBE/EDGE total spend: \$1.1M made up of 1 supplier<sup>(2)</sup>
- P-Card FY07 spend is \$0.2M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Telecom Services – Overview

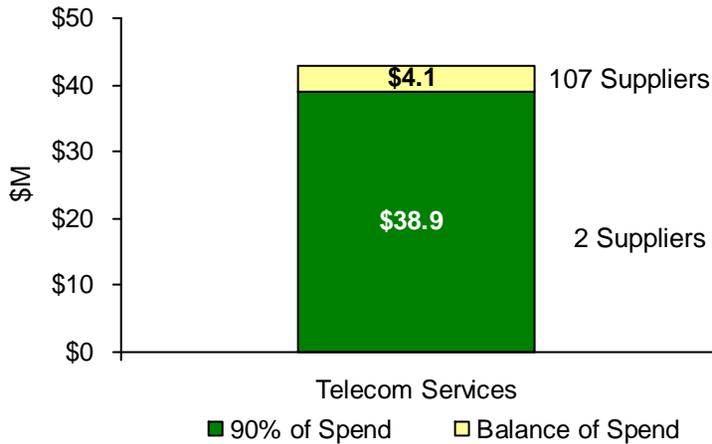
**Telecom Services has \$43.0M in annual spend with an estimated savings range of \$3.4M (8%) to \$6.0M (14%). There are 109 Telecom providers who service 75 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$43.0M <sup>(1)</sup>
Addressable Spend	\$43.0M
Opportunity (8% - 14%)	\$3.4M - \$6.0M
Timing	~ 7 months

### Supplier Concentration

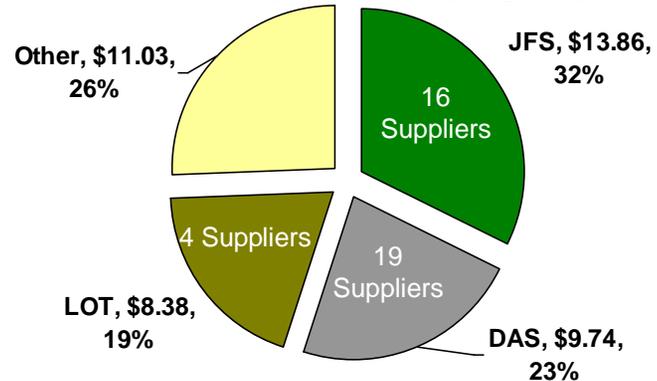
AT&T - (\$31.6M, 1 Supplier)  
 Remaining Spend – (\$11.4M, 108 Suppliers)



## Service Profile

- Telecom services include VOIP, Long Distance, Local, and Mobile Services
- JFS, DAS, and LOT are the largest users and represent 74% of the total addressable spend
- There are 109 suppliers within the Telecom Services category
  - The top supplier (AT&T) represents 73% of the total addressable spend
  - There are 107 suppliers that consist of \$4.1M in spend
- There are no MBE/EDGE suppliers<sup>(2)</sup>
- P-Card FY07 spend is \$3.9M<sup>(3)</sup>

**- FY07 Spend (\$M) by Agency -**



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Temporary Labor - Overview

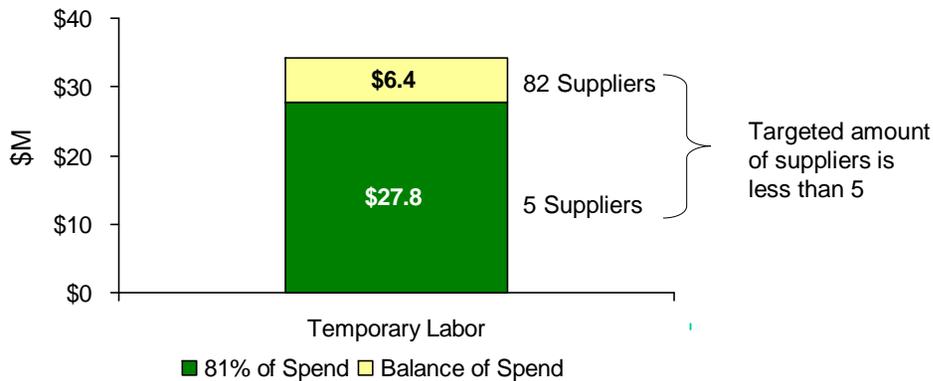
**Temporary Labor has \$34.2M in addressable spend with an estimated savings range of \$2.7M (8%) to \$5.1M (15%). There are 87 suppliers who provide Temporary Labor Services to 47 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$34.2M <sup>(1)</sup>
Addressable Spend	\$34.2M
Opportunity (8% - 15%)	\$2.7M - \$5.1M
Timing	~ 6 months

### Supplier Concentration <sup>(1)</sup>

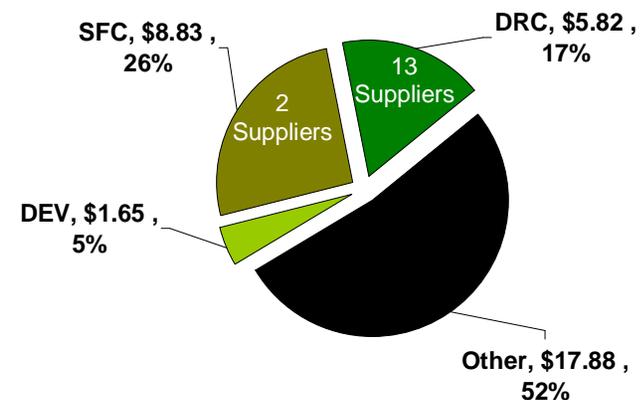
80% of Spend - (\$31.6M)  
Balance of Spend - (\$6.4M)



## Service Profile

- SFC, DRC, and DEV are the largest agencies and represent 48% of the total addressable spend
- There are 87 suppliers within the Temporary Labor category
  - The top ten suppliers represent 94% of the total addressable spend
  - 82 suppliers represent \$6.4M in total addressable spend
- MBE/EDGE total spend: \$ 8M<sup>(2)</sup> made up of 7 suppliers<sup>(2)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)

(2) Source: FY07 Term Contract Expenditures



# IT Hardware – Overview

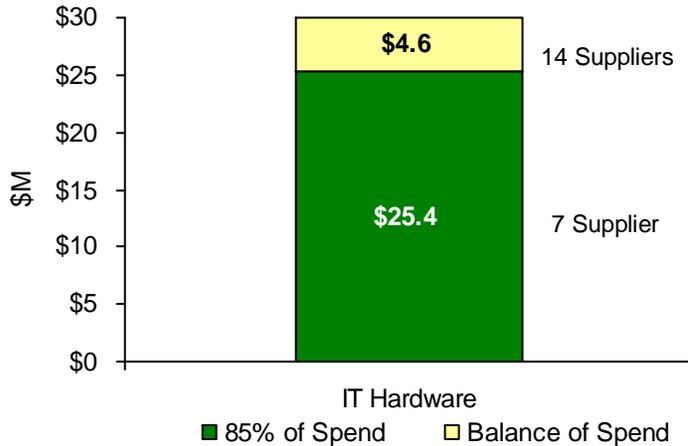
**IT Hardware has \$30.0M in addressable spend with an estimated savings range of \$3.3M (11%) to \$4.5M (15%). There are 21 suppliers providing IT Hardware to 66 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$30.0M <sup>(1)</sup>
Addressable Spend	\$30.0M
Opportunity (11% - 15%)	\$3.3M - \$4.5M
Timing ~ 6 months	

### Supplier Concentration<sup>(1)</sup>

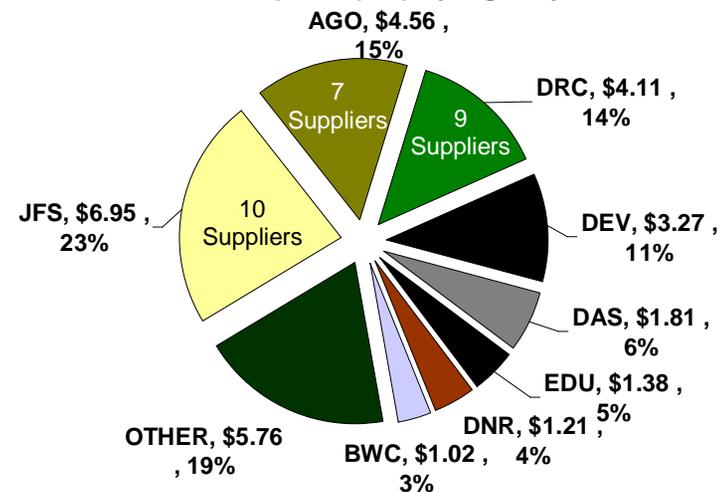
PC's, Laptops - (\$16.6M, 12 Suppliers)  
 Peripherals - (\$9.4M, 6 Suppliers)  
 Network Equipment - (\$4.0M, 5 Suppliers)



## Commodity Profile

- Includes PCs (Desktops, Laptops), Servers, IT Peripherals, and Network Equipment
- JFS, AGO, and DRC are the largest users and represent 52% of the total addressable spend
- There are 21 suppliers within the IT Hardware category
- MBE/EDGE total spend: \$0.6M made up of 1 supplier<sup>(2)</sup>
- P-Card spend in FY07 is \$0.2M<sup>(3)</sup>

**- FY07 Spend (\$M) by Agency -**



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Office Equipment – Overview

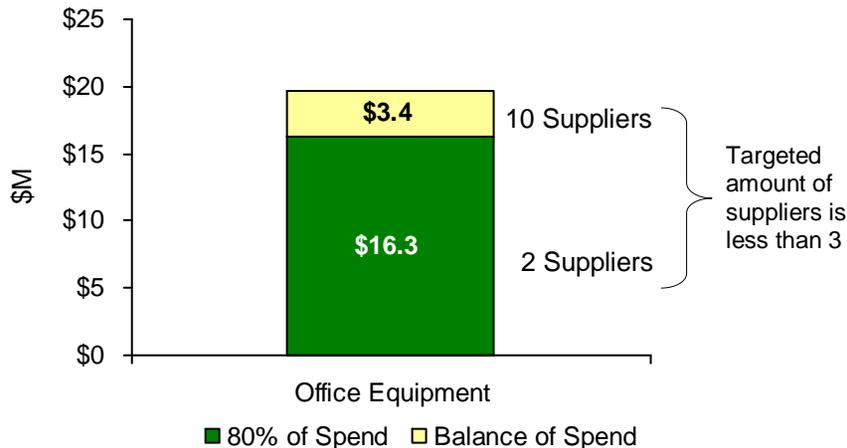
**Office Equipment has \$19.7M in addressable spend with an estimated savings range of \$2.4M (12%) to \$3.6M (18%). There are 12 suppliers who provide Office Equipment to 66 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$19.7M <sup>(1)</sup>
Addressable Spend	\$19.7M
Opportunity (12% - 18%)	\$2.4M - \$3.6M
Timing	~ 6 months

### Supplier Concentration<sup>(1)</sup>

Copiers/MFDs - (\$18.3M, 8 Suppliers)  
 Cost Per Copy - (\$1.4M, 4 Suppliers)

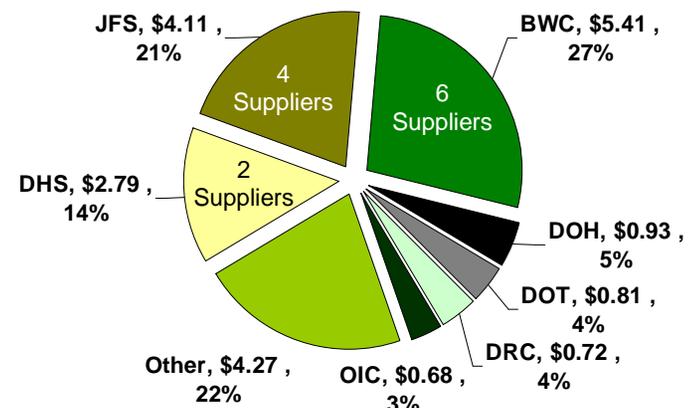


(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM

## Commodity Profile

- The Office Equipment category includes office machines (MFDs), duplicating / copy machines, and fax machines
- BWC, JFS, and DHS are the largest users and represent 62% of the total addressable spend
- There 12 suppliers within the Office Equipment category
  - The top two suppliers (Pitney Bowes & Xerox Corp) represent 83% of the total addressable spend
- There are 10 suppliers who represent \$3.4M in spend
- There are no MBE/EDGE suppliers<sup>(2)</sup>
- P-Card FY07 spend is \$0.5M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -





# Cleaning Supplies - Overview

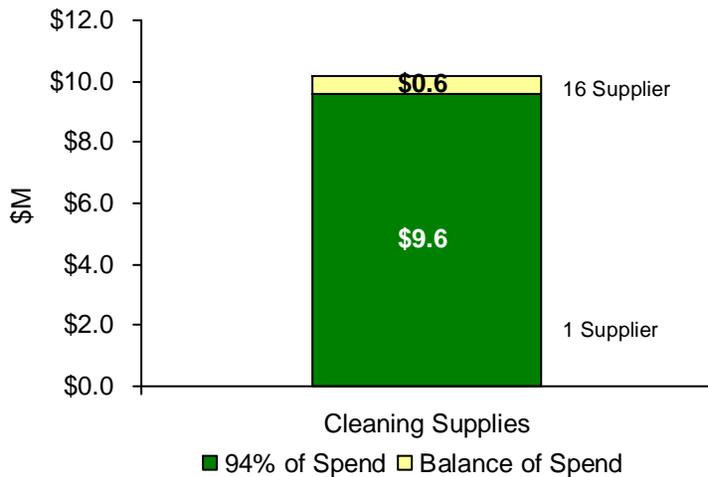
Cleaning Supplies has \$10.2M in addressable spend with an estimated savings range of \$0.6M (6%) to \$1.0M (10%). There are 17 suppliers who provide Cleaning Supplies to 24 different state agencies.

## Annual Opportunity Sizing

Annual Spend	\$10.2M <sup>(1)</sup>
Addressable Spend	\$10.2M
Opportunity (6% - 10%)	\$0.6M - \$1.0M
Timing	~ 5 months

## Supplier Concentration<sup>(1)</sup>

(\$10.2M in Supplies, 17 Suppliers)

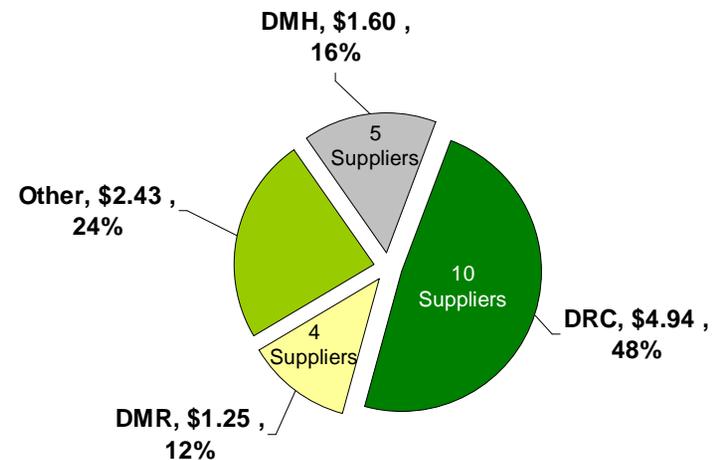


(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM

## Commodity Profile

- DRC, DMH, and DMR are the largest users and represent 76% of the total addressable spend
- One supplier, Direct Resource, represents 94% of the total addressable spend
- 16 suppliers make up \$0.6M in addressable spend
- MBE/EDGE total spend: \$1.4M made up of 6 suppliers<sup>(2)</sup>
- P-Card spend is \$0.02M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -





# Cafeteria Services / Supplies - Overview

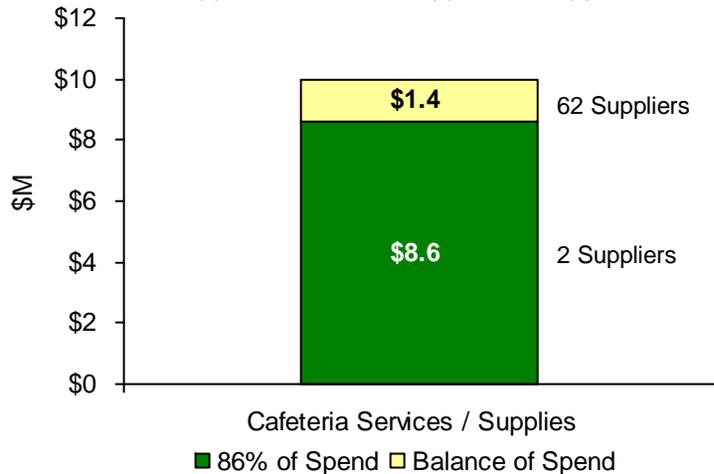
**Cafeteria Services / Supplies has \$10.0M in addressable spend with an estimated savings range of \$0.2M (2%) to \$0.6M (6%). There are 64 suppliers who provide Cafeteria Services / Supplies to 23 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$10.0M <sup>(1)</sup>
Addressable Spend	\$10.0M
Opportunity (2% - 6%)	\$0.2M - \$0.6M
<hr/>	
Timing	~ 5 months

### Supplier Concentration<sup>(1)</sup>

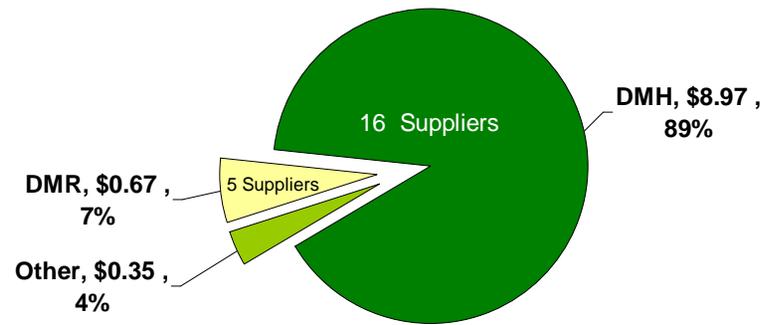
Cafeteria Services - \$7.2M in Supplies, 57 Suppliers  
 Cafeteria Supplies - \$2.8M in Supplies, 7 Suppliers



## Commodity / Service Profile

- DMH and DMR are the largest users and represent 96% of the total addressable spend
- There are 64 suppliers within Cafeteria Services / Supplies
  - The top two suppliers (Compass and Joshen Paper and Packaging) represent 86% of the total addressable spend
  - 62 suppliers consist of \$1.4M in addressable spend
- There are no MBE/EDGE suppliers<sup>(2)</sup>
- P-Card FY07 spend is \$0.5M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Office Supplies - Overview

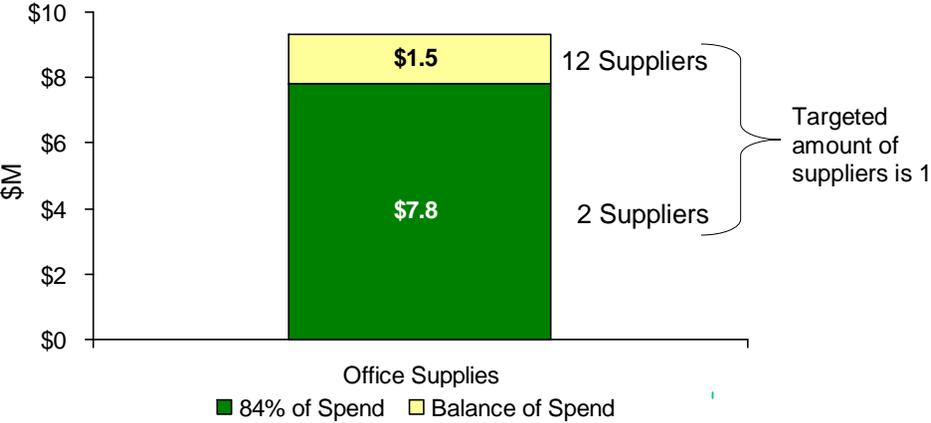
**Office Supplies has \$9.3M in addressable spend with an estimated savings range of \$1.4M (15%) to \$2.3M (25%). There are 14 suppliers who provide Office Supplies to 82 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$9.3M <sup>(1)</sup>
Addressable Spend	\$9.3M
Opportunity (15% - 25%)	\$1.4M - \$2.3M
Timing	~ 5 months

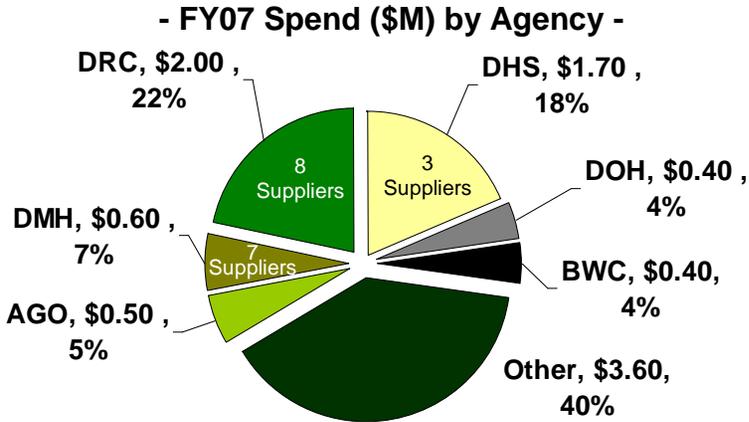
### Supplier Concentration<sup>(1)</sup>

Office Supplies - (\$7.6M, 4 Suppliers)  
 Paper - (\$1.3M, 8 Suppliers)  
 Other - (\$0.3M, 4 Suppliers)



## Commodity Profile

- DRC, DHS, and DMH are the largest users and represent 47% of the total addressable spend
- There are 14 suppliers within the Office Supplies category
  - Office Max accounts for 69% of the spend
  - Spend is broken into the following categories
    - 14% paper; 82% OS; 3% other
- MBE/EDGE total spend: \$0.002M made up of 1 supplier<sup>(2)</sup>
- P-Card FY07 spend is \$8.5M<sup>(3)</sup>



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Furniture - Overview

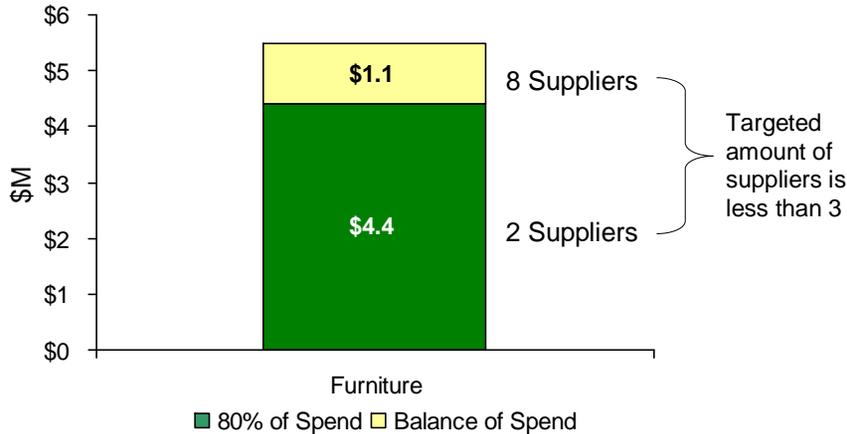
**Furniture has \$5.5M in addressable spend with an estimated savings range of \$0.6M (10%) to \$0.9M (17%). There are 10 suppliers who provide Furniture to 25 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$5.5M <sup>(1)</sup>
Addressable Spend	\$5.5M
Opportunity (10% - 17%)	\$0.6M - \$0.9M
Timing	~ 5 months

### Supplier Concentration<sup>(1)</sup>

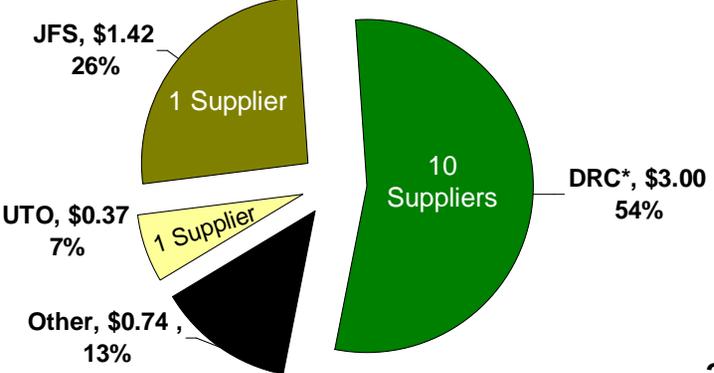
(\$5.5M, 10 Suppliers)



## Commodity Profile

- The Furniture category includes classroom, educational, library, dormitory, healthcare, and office furniture
- DRC\*, JFS, and UTO are the largest users and represent 87% of the total addressable spend
  - Top two suppliers (Continental Office Environment and MW International) represent 80% of the total addressable spend
  - Eight suppliers make up \$1.1M in annual spend
- MBE/EDGE total spend: \$0.5M<sup>(2)</sup> made up of 4 suppliers<sup>(2)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 \*DRC maybe purchasing furniture supplies for manufacturing furniture



# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - Category Prioritization Matrix

  - Category Sourcing Wave Plan

  - Category Profiles

    - Wave 1

    - Wave 2

  - Savings Opportunity Summary

- **Implementation Plan**



# Pharmaceuticals – Overview

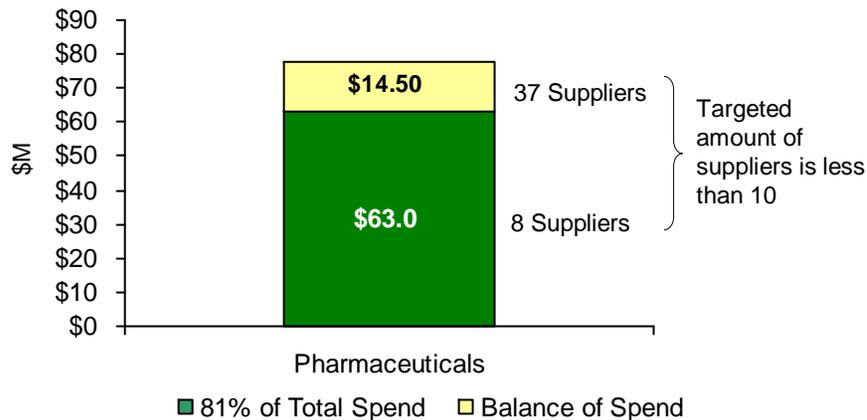
**Pharmaceuticals has \$77.5M in addressable spend with an estimated savings range of \$7.8M (10%) to \$13.2M (17%). There are 45 suppliers who provide pharmaceuticals to 11 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$77.5M <sup>(1)</sup>
Addressable Spend	\$77.5M
Opportunity (10% - 17%)	\$7.8M - \$13.2M
Timing	~ 7 months

### Supplier Concentration<sup>(1)</sup>

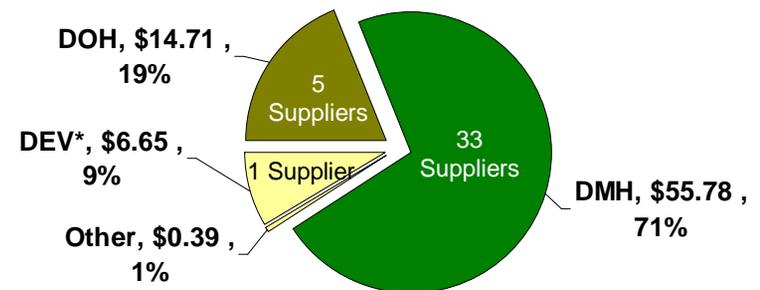
Pharmaceuticals - (\$77.5M, 45 Suppliers)



## Commodity Profile

- DMH and DOH are the largest users and represent 99% of the total addressable spend
- There are 45 suppliers within the Pharmaceuticals category
  - The top supplier / distributor (Capital Wholesale Drug Co) represents 32% of the total spend
- 33 suppliers are used by a single agency (DMH)
- MBE/EDGE total spend: \$2.8M made up of 3 suppliers<sup>(2)</sup>
- P-Card FY07 spend is \$1.4M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)

(2) Source: FY07 Term Contract Expenditures

(3) Source: FY07 P-Card Report from OBM

\*The DEV spend for Pharmaceuticals is what is contained in CAS, but is not consistent with State of Ohio information received from DEV group and is believed to be grant money



# IT Services - Overview

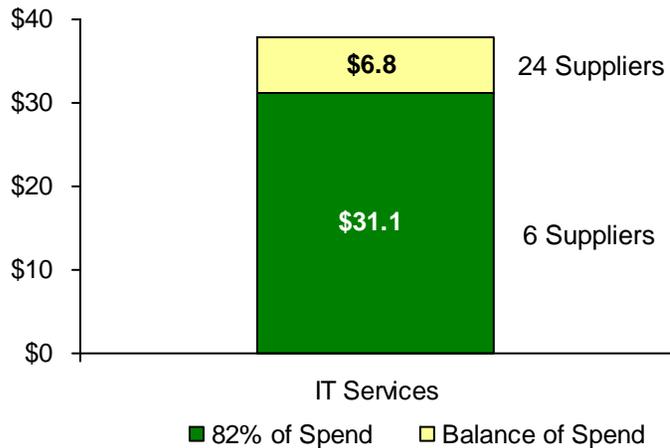
**IT Services has \$37.9M in addressable spend with an estimated savings range of \$2.3M (6%) to \$3.8M (10%). There are 30 IT Services providers who service 60 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$122.0M <sup>(1)</sup>
Addressable Spend	\$37.9M <sup>(2)</sup>
Opportunity (6% - 10%)	\$2.3M - \$3.8M
Timing	~ 6 months

### Supplier Concentration<sup>(1)</sup>

(\$37.9M, 30 Suppliers)

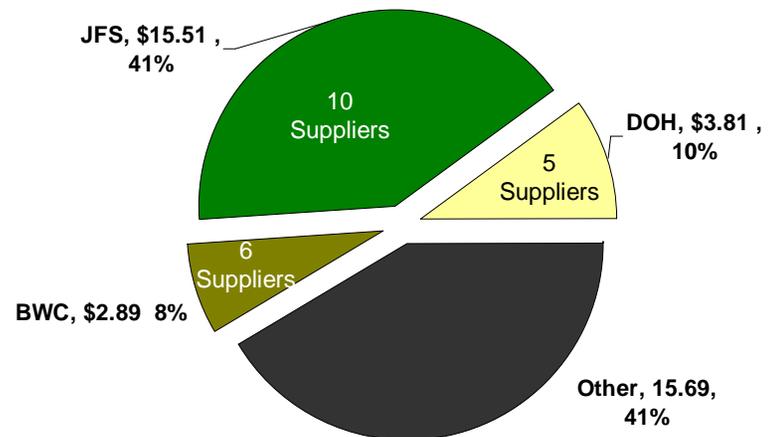


(1) Source: Central Accounting System (CAS)  
 (2) Includes targeting 30 of 64 suppliers within the IT Services category  
 (3) Source: FY07 Term Contract Expenditures

## Service Profile

- JFS, DOH, and BWC are the largest users and represent 59% of the total addressable spend
- There are 30 suppliers within the IT Services category
  - 6 suppliers represent 82% of the total addressable spend
  - 24 suppliers consist of \$6.8M in addressable spend
  - The top supplier (Netwave Corporation) represents 29% of the total addressable spend
- There are no MBE/EDGE suppliers<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -





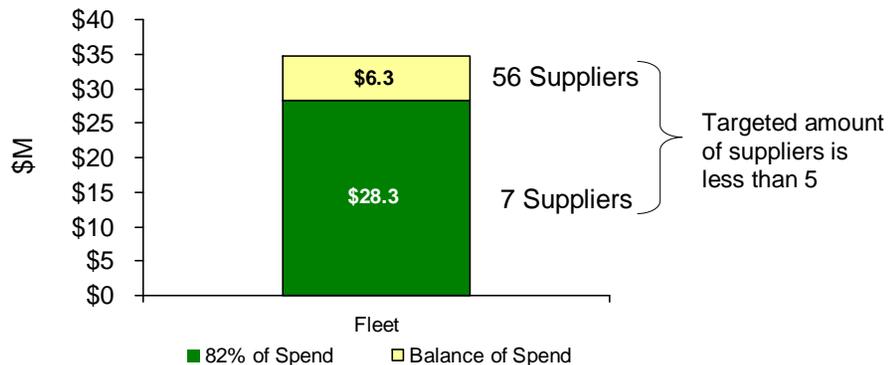
# Fleet - Overview

**Fleet has \$34.6M in addressable spend with an estimated savings range of \$2.8M (8%) to \$4.2M (12%). There are 63 suppliers who provide vehicles to 27 different state agencies.**

## Annual Opportunity Sizing

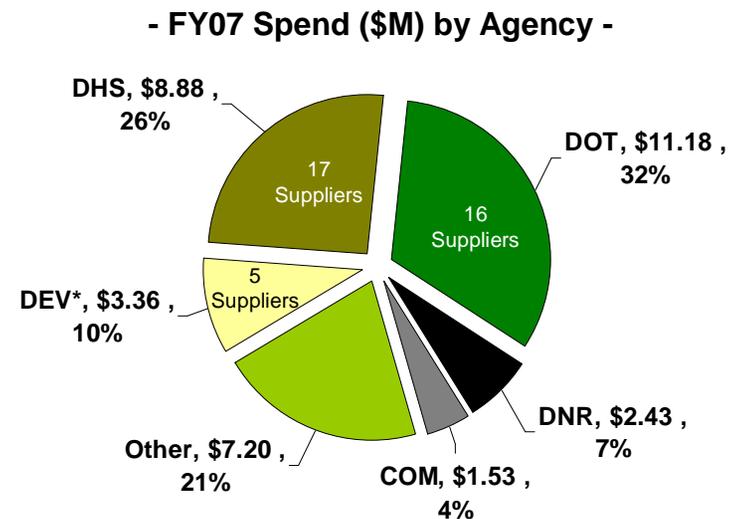
Annual Spend	\$47.1M <sup>(1)</sup>
Addressable Spend	\$34.6M <sup>(2)</sup>
Opportunity (8% - 12%)	\$2.8M - \$4.2M
Timing	~ 6 months

### Supplier Concentration<sup>(2)</sup> (\$34.6M, 63 Suppliers)



## Commodity Profile

- DOT and DHS are the largest users and represent 58% of the total addressable spend
- There are 63 suppliers within the Fleet category
- The top four suppliers represent 68% of the total addressable spend
- 53 suppliers represent 32% of the total addressable spend
- MBE/EDGE total spend: \$ 3.2M made up of 3 suppliers<sup>(3)</sup>



(1) Source: Central Accounting System (CAS)

(2) Supplier Concentration is derived from the total addressable spend

(3) Source: FY07 Term Contract Expenditures

\*The DEV spend for Fleet is what is contained in CAS, but is not consistent with State of Ohio information received from DEV group and is believed to be grant money



# Natural Gas - Overview

Natural Gas has \$32.6M in addressable spend with an estimated savings range of \$0.3M (1%) to \$1.6M (5%) There are 126 suppliers who provide Natural Gas to 27 different state agencies.

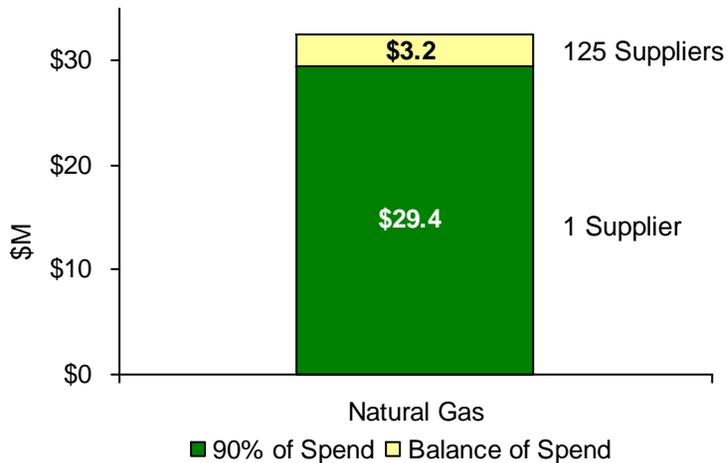
## Annual Opportunity Sizing

Annual Spend	\$43.5M <sup>(1)</sup>
Addressable Spend	\$32.6M
Opportunity (1% - 5%)	\$0.3M - \$1.6M

Timing ~ 6 months

### Supplier Concentration<sup>(2)</sup>

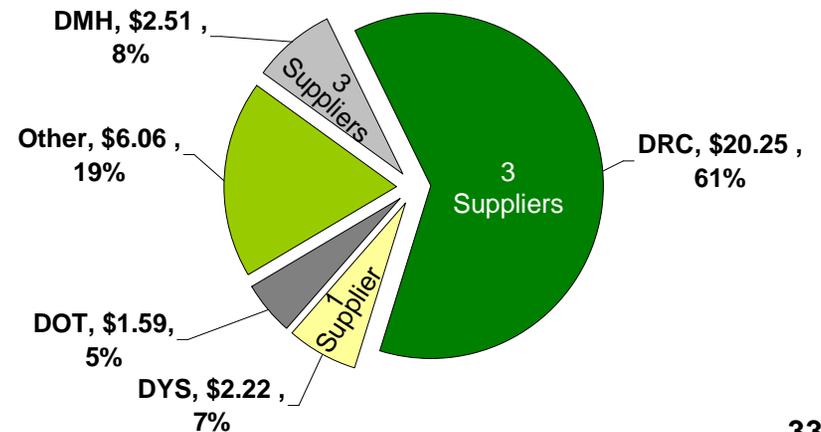
(\$32.6M in Supplies, 126 Suppliers)



## Commodity Profile

- DRC, DMH, DYS are the largest users and represent 76% of the addressable spend
- There are 126 suppliers within the Natural Gas category
  - The top supplier, First Energy (3<sup>rd</sup> Party Provider), represents 90% of the total addressable spend
  - 125 suppliers make up \$3.2M in spend
- There are no MBE/EDGE suppliers<sup>(3)</sup>
- P-Card spend is \$0.6M<sup>(4)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)

(2) Supplier concentration is derived from the total addressable spend

(3) Source: FY07 Term Contract Expenditures

(4) Source: FY07 P-Card Report from OBM



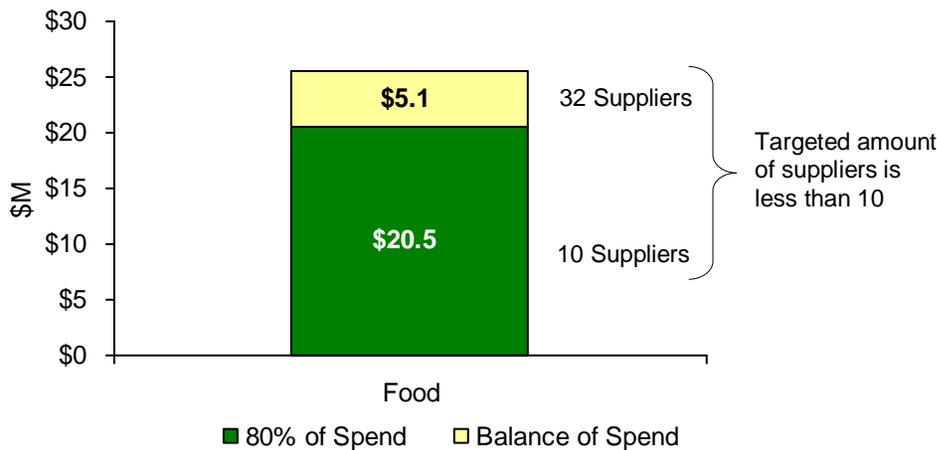
# Food - Overview

**Food has \$25.6M in addressable spend with an estimated savings range of \$2.0M (8%) to \$3.1M (12%). There are 42 suppliers who provide Food to 10 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$25.6M <sup>(1)</sup>
Addressable Spend	\$25.6M
Opportunity (8% - 12%)	\$2.0M - \$3.1M
Timing	~ 6 months

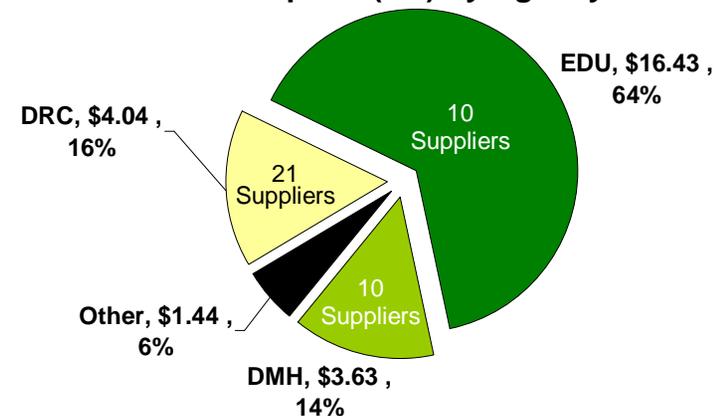
### Supplier Concentration<sup>(1)</sup> (\$25.6M, 42 Suppliers)



## Commodity Profile

- EDU, DMH, and DRC are largest users and represent 94% of the total addressable spend
- There are 42 suppliers within the Food category
  - The top supplier (United Commodity Group) represents 24% of the total addressable spend
  - The bottom 32 suppliers represent 20% of the total addressable spend
- MBE/EDGE total spend: \$3.0M made up of 3 suppliers<sup>(2)</sup>
- P-Card FY07 spend is \$1.2M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Small Parcel - Overview

Small Parcel has \$5.2M in addressable spend with an estimated savings range of \$0.3M (5%) to \$0.8M (15%). There are 8 suppliers who provide Small Parcel service to 50 different state agencies.

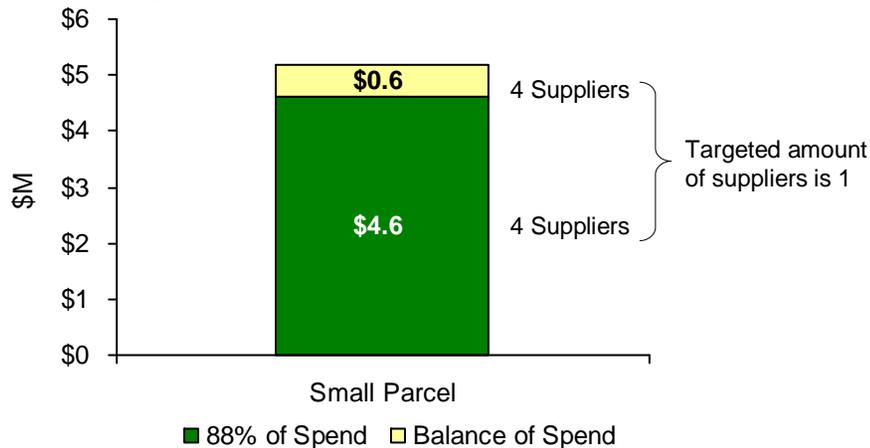
## Annual Opportunity Sizing

Annual Spend	\$5.2M <sup>(1)</sup>
Addressable Spend	\$5.2M
Opportunity (5% - 15%)	\$0.3 - \$0.8M

Timing ~ 5 months

### Supplier Concentration<sup>(1)</sup>

DHL - (\$1.8M, 1 Supplier): contracted  
 Remaining - (\$3.4M, 7 Suppliers): non-contracted

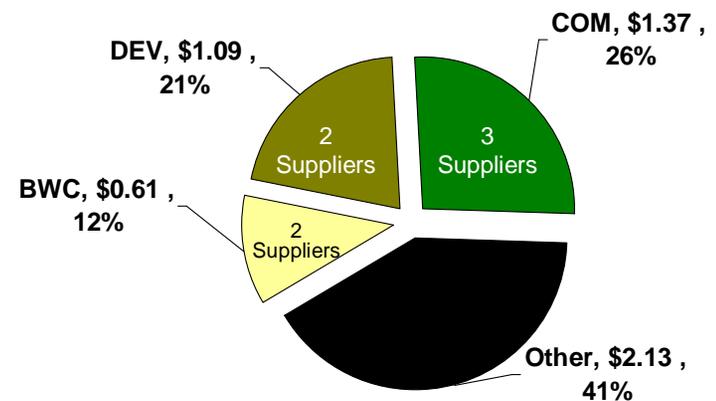


(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM

## Commodity Profile

- COM, DEV, and BWC are the largest users and represent 59% of the total addressable spend
- There are 8 suppliers within the Small Parcel category
  - The top supplier DHL Express (contracted supplier) represents 36% of the total addressable spend
- No MBE/EDGE suppliers<sup>(2)</sup>
- P-Card spend FY07 is \$0.1M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -





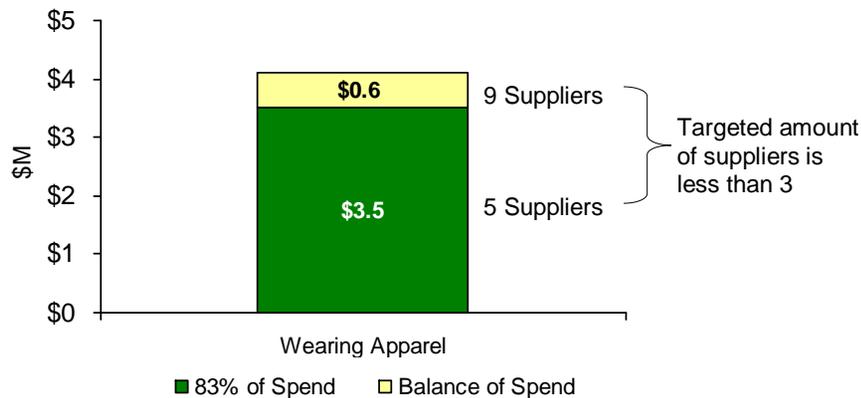
# Wearing Apparel - Overview

**Wearing Apparel has \$4.2M in annual spend with an estimated savings range of \$0.2M (4%) to \$0.5M (11%). There are 14 suppliers who provide wearing apparel to 24 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$4.2M <sup>(1)</sup>
Addressable Spend	\$4.2M
Opportunity (4% - 11%)	\$0.2M - \$0.5M
Timing	~ 5 months

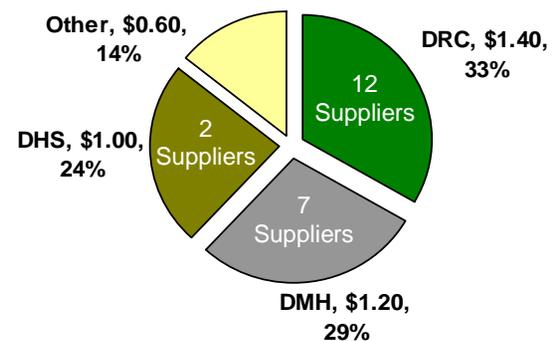
### FY07 Supplier Concentration<sup>(1)</sup> (\$4.2M, 14 Suppliers)



## Commodity Profile

- DRC, DMR, and DHS are the largest agencies and represent 86% of the total addressable spend
- There are 14 suppliers within the Wearing Apparel category
  - Top two suppliers (Roger Elliott and Roy Tailors Uniform) represent 59% of the total addressable spend
  - 12 suppliers represent 41% of the total addressable spend
- MBE/EDGE total spend: \$0.5M made up of 5 suppliers<sup>(2)</sup>
- P-Card FY07 spend is \$0.5M<sup>(3)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures  
 (3) Source: FY07 P-Card Report from OBM



# Security Services/Equipment – Overview

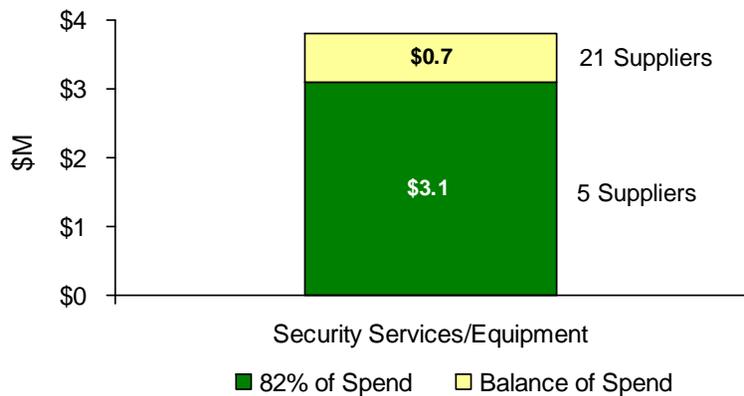
**Security Services/Equipment has \$3.8M in addressable spend with an estimated savings range of \$0.3M (8%) to \$0.5M (12%). There are 26 suppliers who provide Security Services/Equipment to 35 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$3.8M <sup>(1)</sup>
Addressable Spend	\$3.8M
Opportunity (8% - 12%)	\$0.3M - \$0.5M
Timing	~ 6 months

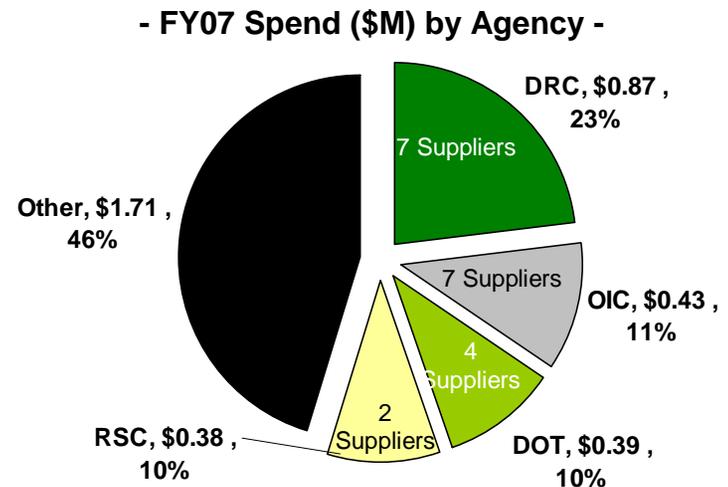
### Supplier Concentration<sup>(1)</sup>

Security Equipment - (\$2.9M, 14 Suppliers)  
 Security Services - (\$0.9M, 12 Suppliers)



## Commodity/Service Profile

- DRC, OIC, and DOT are the largest users and represent 44% of the total addressable spend
- There are 26 suppliers within the Security Services / Equipment category
  - The top supplier (Tyco International) represents 54% of the total addressable spend
  - 25 suppliers represent 46% of addressable spend
- There are no MBE/EDGE suppliers<sup>(2)</sup>



(1) Source: Central Accounting System (CAS)  
 (2) Source: FY07 Term Contract Expenditures



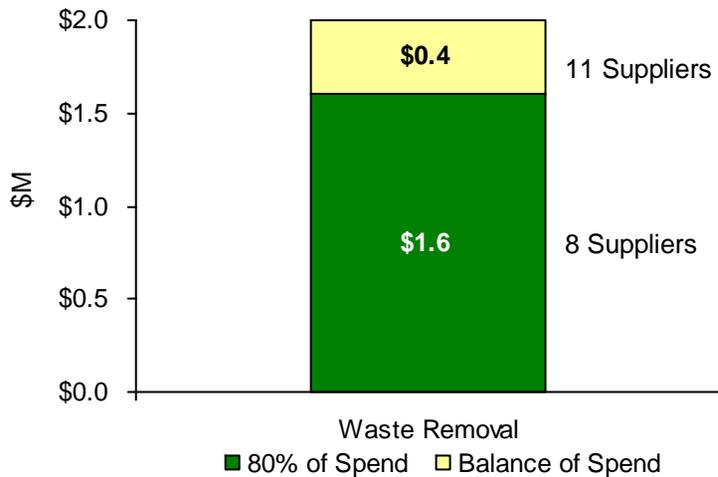
# Waste Removal - Overview

**Waste Removal has \$2.0M in addressable spend with an estimated savings range of \$0.2M (10%) to \$0.3M (14%). There are 19 suppliers who provide Waste Removal to 13 different state agencies.**

## Annual Opportunity Sizing

Annual Spend	\$2.0M
Addressable Spend	\$2.0M
Opportunity (10% - 14%)	\$0.2M - \$0.3M
Timing	~ 6 months

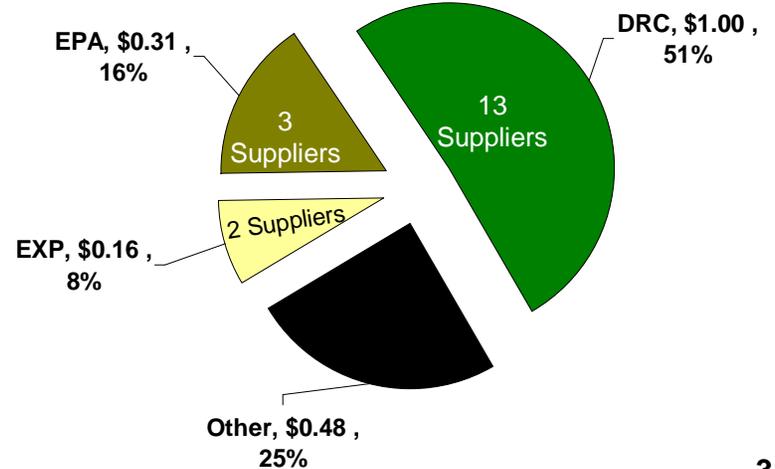
### Supplier Concentration<sup>(1)</sup> (\$2.0M, 19 Suppliers)



## Service Profile

- DRC, EPA, EXP are the largest users and represent 75% of the total addressable spend
- There are 19 suppliers within the Waste Removal category
  - The top three suppliers represent 50% of the total addressable spend
  - 16 suppliers represent \$1.0M or 50% of addressable spend
- There are no MBE/EDGE suppliers<sup>(2)</sup>

### - FY07 Spend (\$M) by Agency -



(1) Source: Central Accounting System (CAS)

(2) Source: FY07 Term Contract Expenditures



# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - Category Prioritization Matrix

  - Category Sourcing Wave Plan

  - Category Profiles

    - Wave 1

    - Wave 2

    - Savings Opportunity Summary

- **Implementation Plan**



# Wave I Spend and Savings Estimates

The total amount of addressable spend for Wave I is \$220.0M with estimated savings ranging from a low of \$19.8M (9.0%) to a high of \$32.8 (14.9%) annually.

Category	Commodity/Service	Strategy Timing	Addressable Spend (\$M)	Savings Range (\$M)
IT	IT Software	6 months	\$ 58.02	\$ 5.22 – 8.70
IT	IT Hardware	6 months	\$ 30.06	\$ 3.30 – 4.51
Telecom	Telecom Services	7 months	\$ 43.02	\$ 3.44 – 6.02
Professional	Temporary Labor	6 months	\$ 34.18	\$ 2.73 – 5.13
Office Services	Office Equipment	6 months	\$ 19.70	\$ 2.36 – 3.55
Office Services	Office Supplies	5 months	\$ 9.28	\$ 1.39 – 2.32
Office Services	Furniture	5 months	\$ 5.52	\$ 0.55 – 0.94
Facilities	Cleaning Supplies	5 months	\$ 10.20	\$ 0.61 – 1.02
Facilities	Cafeteria Services/Supplies	5 months	\$ 10.00	\$ 0.20 – 0.60
<b>Totals</b>			<b>\$ 220.0M</b>	<b>\$ 19.8 - \$ 32.8M</b>
<b>Two Year Savings</b>				<b>\$ 39.6 - \$ 65.6M</b>



# Wave II Spend and Savings Estimates

The total amount of addressable spend for Wave II is \$223.3M with estimated savings ranging from a low of \$16.1M (7.2%) to a high of \$27.8M (12.4%) annually.

Category	Commodity/Service	Strategy Timing	Addressable Spend (\$M)	Savings Range (\$M)
Pharmaceuticals	Pharmaceuticals	7 months	\$ 77.53	\$ 7.75 – 13.18
IT	IT Services	6 months	\$ 37.89	\$ 2.27 – 3.79
Fleet	Fleet	6 months	\$ 34.58	\$ 2.77 – 4.15
Utilities	Natural Gas	6 months	\$ 32.64	\$ 0.33 – 1.63
Food	Food	6 months	\$ 25.55	\$ 2.04 – 3.06
Logistics	Small Parcel	5 months	\$ 5.18	\$ 0.26 – 0.78
Clothing	Wearing Apparel	5 months	\$ 4.16	\$ 0.17 – 0.46
Facilities	Security Services/Equip.	6 months	\$ 3.79	\$ 0.30 – 0.45
Facilities	Waste Removal	6 months	\$ 1.96	\$ 0.19 – 0.27
<b>Totals</b>			<b>\$ 223.3M</b>	<b>\$ 16.1 - \$ 27.8M</b>
<b>Two Year Savings</b>				<b>\$ 32.2 - \$ 55.6M</b>



# Savings Opportunity Summary

The total amount of addressable spend is \$717.3M with annual estimated savings ranging from a low of \$42.9M (6.0%) to a high of \$79.9 (11.1%).

Category	Addressable Spend (\$M)	Low	High
<b>Professional</b> (Consulting, Temp. Labor, 3 <sup>rd</sup> Party Admin.)	\$ 192.55	\$ 5.90	\$ 14.63
<b>IT</b> (Hardware, Software, Services)	\$ 125.98	\$ 10.80	\$ 17.00
<b>Pharmaceuticals</b> (Pharmaceuticals)	\$ 77.53	\$ 7.75	\$ 13.18
<b>Utilities</b> (Electricity, Natural Gas)	\$ 49.16	\$ 0.33	\$ 2.30
<b>Telecom</b> (Telecom Services)	\$ 43.02	\$ 3.44	\$ 6.02
<b>Fleet</b> (Fleet)	\$ 34.58	\$ 2.77	\$ 4.15
<b>Office Services</b> (Office Supplies, Furniture, Office Equipment)	\$ 34.50	\$ 4.30	\$ 6.81
<b>Logistics</b> (Freight, Warehousing, Small Parcel)	\$ 27.79	\$ 1.62	\$ 3.59
<b>Advertising and Marketing</b> (Advertising, Marketing Services)	\$ 27.65	\$ 1.11	\$ 2.21
<b>Food</b> (Food)	\$ 25.55	\$ 2.04	\$ 3.06
<b>Fuel</b> (Gas, Oil)	\$ 17.56	\$ 0.40	\$ 1.11
<b>Roadway</b> (Road Patch / Aggregate)	\$ 14.06	\$ 0.28	\$ 1.40
<b>Travel</b> (Airfare, Hotel, Car)	\$ 10.37	\$ 0.30	\$0.90
<b>Other</b> (Cafeteria Services, Cleaning Supplies, Security Services, etc.)	\$ 37.03	\$ 1.87	\$ 3.52
<b>Totals</b>	<b>\$ 717.3M</b>	<b>\$ 42.9M</b>	<b>\$ 79.9M</b>
<b>Two Year Savings</b>		<b>\$ 85.8M</b>	<b>\$ 159.8M</b>



# Table of Contents

- **Timeline**

- **Key Findings**

  - Spend Profile

  - Category Prioritization Matrix

  - Category Sourcing Wave Plan

  - Category Profiles

    - Wave 1

    - Wave 2

  - Savings Opportunity Summary

- **Implementation Plan**



# Business Case Implementation Timeline

**Based on March 2008 start date benefits can begin being realized in the August 2008 timeframe.**

Commodity Teams		FY 2008				FY 2009									
		Q3	Q4			Q1			Q2			Q3			
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Wave 1	IT Software	\$58M													
	Telecom Services	\$43M													
	Temporary Labor	\$34M													
	IT Hardware	\$30M													
	Office Equipment	\$20M													
	Cleaning Supplies	\$10M													
	Cafeteria Services	\$10M													
	Office Supplies	\$9M													
	Furniture	\$6M													
Wave 2	Pharmaceuticals								\$78M						
	IT Services								\$38M						
	Natural Gas								\$35M						
	Natural Gas								\$33M						
	Food								\$26M						
	Small Parcel								\$5M						
	Wearing Apparel								\$4M						
	Security Srvc/Equip								\$4M						
	Waste Removal								\$2M						

*Note: Blue bar represents the duration of the sourcing effort and addressable commodity spend. The end date represents contract implementation and beginning of benefits accumulation.*