



The Commodity Project

Purchasing at UC Berkeley is one of the main sources of significant potential time and dollar savings to campus departments. The first step in realizing cost savings and process efficiencies was undertaking an assessment study—The Commodity Project—to review campus-wide spending in key commodity categories and identify strategies to purchase those goods and services for lower costs.

Summary

Demand for commodities at UC Berkeley is neither optimally aggregated nor consolidated for contracting and purchasing to support best pricing. Strategic sourcing contracts are few and underleveraged. As a result, pricing across departments varies widely. Access to information regarding purchasing processes and procedures is difficult to find, while in-house commodity expertise for select categories is inadequate.

As a first step in realizing procurement cost savings, the Commodity Project reviewed existing procurement activities with the objective of identifying and testing strategies to reduce costs of commodities—both the cost of goods and services and the transaction costs associated with those purchases—in key categories. The three categories initially targeted were lab supplies and equipment; maintenance, repairs and operations; and travel and entertainment. Two additional categories—food and beverage; and information technology, goods and services—are being addressed now.

The process comprises a review and renegotiation of existing agreements, the identification of opportunities for new agreements, investment in developing the commodity expertise of the campus in targeted commodity categories, development and implementation of supply chain strategies for fast moving commodities, and active management of vendors and contracts to ensure that the University receives optimal pricing and terms.

Delivering the Vision

The Commodity Project will help achieve the vision of Operational Excellence by centralizing information and processes, increasing efficiencies, and supporting a culture of continuous improvement. In concert with BearBuy and the joint UCSF/UC Berkeley Procurement Center of Excellence programs, the estimated \$740,000 requested for the Commodity project will contribute to UC Berkeley procurement savings of \$5 - \$12 million per year.

Timeline

The Commodity Project was approved by the OE Executive Committee on May 23, 2011. A joint MRO/Life Sciences-Lab Supplies supply chain strategy is underway. The first phases of rollout on IT, including standardization of desktop and laptop configurations and printer management are beginning in cooperation with the IT OE team and UCSF counterparts. Contract renegotiations have been initiated in the focus commodity categories. Recruitment of sourcing experts in the target commodities is underway.

Leadership

Sponsor: Ron Coley, Associate Vice Chancellor, Business and Administrative Services

Sponsor: Dennis Levi, Dean, School of Optometry

Initiative Manager: Heidi Hoffman, Director of Operations and Administration, Molecular Cell Biology

Initiative Manager: Jim Hine, Executive Director of Campus Procurement, UC Berkeley and UCSF

For More Information

Complete copies of the Procurement Business Case as well as the Request for Resources and the proposed budget for The Commodity Project can be viewed online at the OE web site at <http://oe.berkeley.edu>

Questions and comments about this proposal for the initiative team: oeprocurement@berkeley.edu

Questions about Operational Excellence: oe@berkeley.edu