Benchmarking: Performance Measures in Public Procurement
NIGP Research

Purpose of Reporting Savings

- Communicate the Value of Procurement
- Evaluate Performance
- Justify Budget
NIGP Research

Our Bosses want it!

86% - KPIs important part of procurement management

90% - Important for Procurement to measure and reports savings, cost avoidance, and revenue generation
What is Measured?

Non-ROI

ROI
New Trends in Non-ROI

Spend Under P-cards

• % of Value (48%)
• % of Volume (34%)
• Rebates (34%)
New Trends in Non-ROI

Spend Under Contracts (27%)
Spend Under Coops (27%)

• Volume pricing, Ts & Cs, single competitive process
• Leveraging regional, state, and national contracts
New Trends in Non-ROI Spend under Strategic Sourcing (8%)

A systematic continuous improvement process that directs supply managers to assess, plan, manage, and develop the supply base in line with the agency’s stated objectives. It involves the constant re-evaluation of purchasing activities to insure alignment with long-term organizational goals.

Source: NIGP Online Dictionary
New Trends in Non-ROI

Spend by Supplier (13%)

Part of strategic sourcing. Too few or too many suppliers in a given commodity/service?
New Trends in Non-ROI

Spend through eProcurement (11%) as % of # of transactions and total spend
New Trends in Non-ROI

Customer Focus

Supplier Satisfaction (16%)

In addition to internal customers (clients)

• Suppliers as customers of the public process.
New Trends in Non-ROI

Customer Focus

Variation from Agreed time in Process (12%)

• Not your average cycle times, but how many times did you miss the schedule.

• Average of 90 days too long for OTS, too short for IT system.
Showing Value - ROI

- Competitive Sealed Bidding
- Competitive Negotiations
- Revenue-Generating Contracts
- Other Activities
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>45%</td>
</tr>
<tr>
<td>Highest Bid</td>
<td>36%</td>
</tr>
<tr>
<td>Average Bids</td>
<td>31%</td>
</tr>
<tr>
<td>Previous Price</td>
<td>17%</td>
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<tr>
<td>GSA, etc.</td>
<td>15%</td>
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</tbody>
</table>

Indicators Used - IFBs
Award Price v.
Other Methods

IFB Savings

Award Price v.

- Retail or wholesale price
- Independent estimate
- Price submitted by requestor
- Price paid by other governments
Indicators Used - RFPs

- Award Price v. Market Price: 21%
- Added Value i.e. Warranties: 36%
- Award Price v. Initial Proposed Price: 74%
**RFP Indicators**

- **Bosses**
- **Procurement Managers**

### Awards Price vs. Initial Proposed Price
- Bosses: 70.0%
- Procurement Managers: 50.0%

### Added Value - i.e. Warranties
- Bosses: 50.0%
- Procurement Managers: 30.0%

### Award Price vs. Market Price
- Bosses: 60.0%
- Procurement Managers: 20.0%
### Indicators Used - Other Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery for Non-Performance</td>
<td>12%</td>
</tr>
<tr>
<td>Negotiating Contract Increases</td>
<td>12%</td>
</tr>
<tr>
<td>Specs / Scope Review</td>
<td>18%</td>
</tr>
<tr>
<td>Negotiating Non-Competitive Awards</td>
<td>23%</td>
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<tr>
<td>Negotiating Renewals / Extensions</td>
<td>29%</td>
</tr>
</tbody>
</table>
Other Activities Indicators

- Negotiating Renewals/Extensions
- Negotiating Non-Competitive Contracts
- Specs/Scope Review
- Negotiating Contract Increases
- Recovery for Non-Performance
“The CFO’s View of Procurement”

Aberdeen Group

November 2007
Only 17% indicated that Procurement’s impact is very positive.

37% said that Procurement’s Impact is negative.
Collaboration
Automation
Spend data
> 70%
30-70%
< 30%
Best-in-Class - > 70%

Industry Average - 30-70%

Laggard - Less than 30%
Best-in-Class

- Excellent process and Efficiency
- Superior process innovation aptitude
- Superior negotiation and contracting skills
- Superior general business acumen
- Superior supply market knowledge
- Strong technology acumen
A New Tool

MEASURE

• Public Sector Specific
• Free to NIGP National Members
• Available with the NIGP Observatory
Savings Types

• Added Value
  – Additional Services
  – Lease/Hire/Financing

• Cost Avoidance
  – Collaborative Arrangements
  – Marketplace Awareness
Savings Types

• Sustainable Procurement
  – Community Benefits
  – Recycling/Reuse

• Process Reengineering
  – Consolidating invoicing
  – New Term Contract
Savings Types

• Price Reduction
  – Aggregation
  – Revised Specifications

• Risk Reduction
  – Payment Recovery
  – Retention of Final Payments
Savings Types

• Investment Cost

• Revenue Generation
  – Sale of Surplus
  – Rebates
Action Steps

www.nigp.org

1. NIGP Membership
2. Sign up for MEASURE
3. Research Library
4. The Vault
5. NIGP Observatory