



**Expense Reduction  
Analysts**

Top Ten Tips

## **Managing Office Supplies**

Coordinating office supply savings and maintaining an inventory



## EXECUTIVE SUMMARY

Every organisation is looking to develop a cost reduction mindset, and in these uncertain times, it is even more imperative that organisations, large and small, adopt the right strategies and processes to achieve their goals.

Office supplies are one of the organisation's most considerable ongoing daily expenses, and yet for many companies, it is one of the least understood and often achieved the least attention – it tends to fly under the radar. It is a category that generally doesn't register on the strategic agenda and is often left to lower-level managers to drive if anyone at all besides how difficult is it to buy a pen.

...besides how difficult is it to buy a pen.

In this category, there is an excellent potential for overspending and users to make random choices, often to the organisation's detriment - a fact typically overlooked or not seen by the executive team. Managing this category efficiently and effectively requires some industry knowledge, regular analysis, and negotiation skills to secure advantageous supply and service contracts to obtain a better result for your organisation.

From reviewing the marketplace and trends to defining terminology, ERA assists companies with understanding the complexities of the industry and providing the critical analysis needed to mine the best value from their office supplies suppliers.

Coupled with a lack of management attention, the category usually has a heavy influence from the supply users, often a recipe for a spend blowout. Often there is a minimal strategic direction or adequate purchasing processes given to purchasers, and before long, the spend is woefully out of control.

Often purchasers are influenced more by a familiar brand name or personal preference than any real focus or understanding of what the best buy for the organisation is. However, the supply companies do make it quite confusing for users to make an informed decision with an array of different pack sizes, different levels of recycled components, different concentrations of the same item and home brands, to name a few of the strategies.

**"Now more than ever, the need for organisations to develop a culture of cost reduction is paramount."**

## CONTENTS

Executive Summary .....	P3
Office Supplies Industry .....	P4
Understanding Your Needs .....	P5
Marketing & Negotiations .....	P6
Implementation Phase .....	P7
Reviewing Prices & Items .....	P8
Relationships & Communications .....	P9
Concluding Remarks .....	P12
About ERA .....	P13

# The office supplies industry in Australia

The office supply industry in Australia can best be described as highly consolidated. While competition does exist, the market is dominated by three large corporations, with several smaller operations making up the remainder.

The Australian 2020 office supplies and workwear market is estimated to have declined approximately 5% on the back of COVID-19 to be roughly \$12 billion. (Office Product News - 21/9/2020). While Covid-19 has seen traditional spending fall away, it has accelerated growth in the Janitorial and Health & Safety categories. This has been driven by companies looking to increase their efforts in providing a safe working environment for their employees and customers.

The three large companies are also accelerating their efforts in non-traditional categories such as Catering & Food, Education and Arts & crafts to drive further growth.

Complete Office Supplies (COS), WINC and Officeworks, are the three companies that dominate the market. Complete Office Supplies (COS) and WINC are online retailers and see themselves as "Accumulators" rather than pure office supplies companies. Officeworks has traditionally been seen as a B2C company with its combination of bricks and mortar and online offer, but they are increasingly moving into the B2B space.

Because of the limited number of national and regional suppliers, many organisations may believe they have little control over overpricing. However, ERA consultants advise that while the market landscape impacts pricing, much more can be done to achieve cost-saving goals in the office supplies category. Through a detailed analysis of your historical spending that helps identify the health of your spending, ERA uses its industry knowledge to help you manage a better result.

## 1. Are your office supplies on contract?

If you do not have a contract for your office supplies with one of the suppliers, chances are you are leaving money on the table and paying way too much. All the office supplies companies offer discounts for contracted items, usually for a two-year contractual period. In one instance, we saw a three-fold increase in the price of one item overnight when it was accidentally removed from the contract.

While some companies are reluctant to be "tied down" to one supplier and a contract, most contracts are non-exclusive, allowing you to trade elsewhere in cases of supply shortages etc. Generally, the price you pay will depend on the volumes you purchase. When considering what to put on contract, look to the 80 / 20 rule. Keep in mind that items can be added and subtracted from the contract as you go.

Rather than have a contract, some companies will look to take advantage of catalogue or web "specials". While this does offer some savings, it is time-consuming, and generally, these prices will not be as reasonable as a contract price. Besides, this situation can be covered in any contract where if an item is cheaper on a sell-out or sale, you should be able to take advantage of the best price on the day.

## The following ten (10) steps will help organisations make more informed office supplies purchasing decisions:

### 2. Understand your companies needs

A thorough understanding of your organisations' needs is an excellent place to start.

This usually takes the form of an analysis of your historical purchases. In most cases, your supplier can provide your historical purchases for you in the form of an excel spreadsheet; you need to ask.

When trying to understand if it is time to do something about it your spend, three of the most common things to look for at this stage are:

1. Long lists of similar items. For example, a recent client we worked with had purchased 32 different pens in the past six months.
2. A high number of branded items: While branded items have their advantages, savings can be gained from purchasing generic versions of the branded item. Using the pen example above, do you need a Bic pen, or will a "generic branded pen" do the same job?
3. Long lists of users: The number of users relative to the company size often indicates no actual purchasing governance and an open purchasing policy.

### 3. Set up a basket of items that suits your companies needs

Once you understand your historical spending, it's time to decide your organisation's needs.

- Consolidation of your ongoing needs
- A decision on what will be included in the basket and, just as notably, what will not be in the basket

For example, sticking to our pen example, how many different pens will users be able to buy – branded vs. unbranded, what pack size, how many alternatives you will offer, etc. Usually, history is a good guide

Don't underestimate the time and effort required in defining the basket. However, a well-designed basket will help manage your spending and make life easier later.

Be mindful at this stage that you will never satisfy everyone.

## 4. Marketing your basket of items

The basket of items you eventually settled on is then ready for marketing. The next step is to decide whom you will market your basket to and how you will do it.

An organisation can negotiate directly with a supplier and even with your incumbent supplier, or you may want to market your basket to a panel of suppliers, i.e., test the market. One of the critical points to consider at this stage is to ensure how you will evaluate the different supplier submissions and offers.

Marketing a basket of items through a tender process allows you to compare the different suppliers and set the parameters you would like to operate.

“make sure you are clear on what the evaluation criteria is”

A recent example was that a company wanted suppliers to detail their modern slavery policy; those that didn't adequately address the criteria were excluded from the final selection.

While there is no requirement to select only one supplier, you may have a "panel of suppliers", but be mindful generally, the prices obtained under a panel situation may not be as competitive as a single supplier arrangement.

Also, be mindful of the management required with multiple suppliers. Most organisations are looking to reduce their suppliers and take advantage of any back-office efficiencies.

## 5. Negotiate effectively

In order to successfully negotiate favourable agreements with your suppliers, it's imperative to understand how suppliers can glean profit within their contracts.

Suppliers will typically develop contracts in their favour to reduce risks that could be costly at their end. Be sure to understand and read the contract multiple times, don't rely on the sales rep to gloss over it with a brief description of what's in it:

Look for clauses like:

- Last right of refusal clauses
- Take it or leave it clauses
- Unachievable targets
- Termination clauses

Remember, a supplier's contract is written to protect them, not you. If you have your contract, there is nothing wrong with getting them to sign your contract simultaneously. However, few organisations that I have come across actually have a contract document of their own and tend to rely on the supplier's contract.

If unsure, seek legal advice.

## 6. Pay attention to the implementation phase

Recent experience is that implementation can and will go wrong despite everyone's best intentions.

Careful attention at this stage is essential to ensure that you get what you agree to. Do not just leave it up to the supplier to implement it on your behalf.

Some real examples of what can go wrong are:

- Wrong pricing is loaded into the supplier's system. Experience has shown that up to 3% of an invoice value was incorrect due to overcharging
- The supplier loaded the wrong basket of items into the system
- The supplier merged the old complete purchase list into the new one, meaning that now there was a significantly increased basket of items
- The supplier fails to identify the contract items in their online system adequately.

“Experience has shown up to 3% of an invoice value was wrong due to overcharging immediately following implementation.”

Not all implementation issues solely lie with the supplier; some instances we see on an organisations side are:

- A lack of adequate internal process around who can order
- Lack of internal communication
- Lack of training on the supplier's online portal
- No straightforward person was identified to manage the category
- Distinct lack of interest at a senior level
- Lack of process for ordering non-contract items

Implementation isn't necessarily straightforward, but failure to do it properly will lead to issues further down the track that may lead you back to where you started.

## 7. Regularly check the prices you are charged against the agreed rates

Do you regularly check the prices you are being paid against any agreed contract prices?

If not, then you should start to do so.

Mistakes happen, and despite the systems that suppliers have in place, we regularly see errors, usually incorrect pricing, that, if identified and brought to the supplier's attention, can lead to credits being issued.

Failure to adequately monitor for pricing anomalies may lead to the mistakes being compounded over future months and even years and result in you paying way too much, often not an insignificant amount.

While the process of monitoring may be time-consuming, done every six months would be adequate to identify any anomalies or engage a third party to do it on your behalf.

## 8. Review your basket of items regularly

Ongoing maintenance of the basket of contract items is essential to ensure that you maintain control over the spending habits of your organisation.

A regular basket review will allow you to add additional items to the contract list while giving you some understanding of the buying habits of your organisation.

Some real examples of what a basket review has uncovered are:

- A significant increase in the number of items being purchased
- Users ignoring the recommended items and purchasing branded expensive options
- A substantial increase in the different types of pens being purchased
- The purchase of some high-end items at multiples in price to the recommended item
- Users are not purchasing through the recommended suppliers.
- Alcohol purchases

This can be a time-consuming task but being done every six months will indicate what is happening with your office supplies purchasing. In addition, to make it easier, your supplier may be able to provide you with consolidated excel sheets of your purchases.

## 9. Develop good relationships with your office supplies representative

It surprises the companies that don't have a good relationship with their local supplier representative. A good supplier representative can be invaluable in times of uncertainty and will often go into bat for you when required. Instead, you would be a helpful representative than one who takes no interest in your business.

Some ways to develop that relationship are:

- Schedule regular review meetings with a set agenda; even in these COVID-19 impacted times, technology has made this more accessible than ever.
- Touch base regularly, a weekly or fortnightly call to check how things are going and any issues on the horizon. A call doesn't have to be long; 5 minutes may be sufficient.
- Set up a list of critical KPIs and share it with your representative or use it as an agenda at your scheduled review meetings. It is surprising what a set of well thought out and developed set KPIs can achieve. However, what can't be measured can't be assessed.

## 10. Communications

Communication is the key to avoiding issues and staying on top of the category.

Well, messaging around your Office Suppliers category to your employees is essential to ensuring everyone is clear about their expectations. This applies to suppliers, employees and executives alike.

A well-crafted message should include but not be limited to things such as:

- Who the supplier is and why they were selected.
- The basket of items and how to purchase them.
- What is the process to deal with exceptions (and there will be exceptions)
- Training requirements
- Who has the authority to purchase?

You will likely face some resistance to any changes, people like to stay with what is familiar to them, either an item, a brand or a supplier, but communications will go a long way to easing the journey. Despite the protests stick with it as objections will fade over time.

Regardless of a business' long-term ambition, the vast majority of companies will need to turn towards cost optimisation.

A substantial cost reduction strategy can provide stable foundations on which offensive and defensive strategies can be effectively actioned.

Therefore, it's no surprise that cost reduction is not only becoming more popular but also more ambitious.



## CONCLUDING REMARKS

Achieving savings from your office supplies requirements is possible, and then maintaining those savings over time is not easy.

Unless managed, the spending will "blow out", and old habits will return.

Your organisation can thrive when combined with incorporating strategies that lead to improved purchasing practices and cultivating a better understanding of the supplier industry.

Additionally, you'll build a competitive advantage that will allow you to source products optimally while receiving high-quality service from your supplier, something that can be beneficial to your business as it continues to grow.

Partnering with ERA means that businesses can fully focus on what's important – growing their business.

“Unless managed the spend will “blow out” and old habits will return”

## ABOUT ERA

For the past 29 years, ERA has worked with its clients to unearth Value through Insight™, optimising supply chains and processes to find efficiencies. Partnering with ERA means that businesses can fully focus on what's important – growing their business.

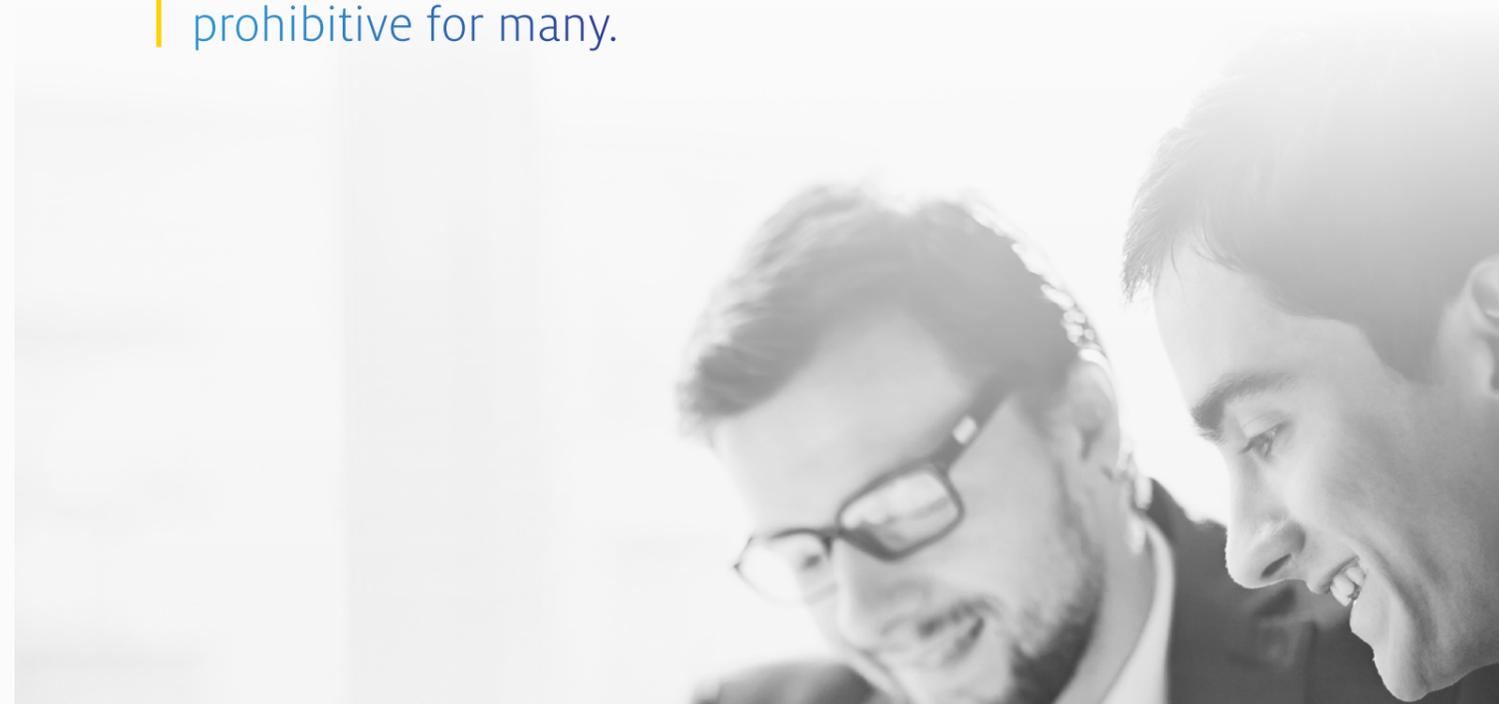
The volume of consultants we have for every type of cost your business faces means that our advice is unrivalled. Our frequent conversations with suppliers across all verticals mean that we are fully aware of market value, pricing structures, new competitors and cost-saving initiatives that could have a positive impact on your operating costs.

We take a long-term approach to all our work, ensuring the savings achieved can be kept and improved.

The strategies we use are designed for lasting performance, helping to develop sustainable supplier relationships long into the future.

At Expense Reduction Analysts, we have the expertise and experience to deliver the cost management performance that your company requires, allowing you to prepare for the future. If you are interested in learning more, explore the many case studies available on our website. Alternatively, why not get in contact with our team today? We would be happy to help you achieve your goal.

The sheer level of expertise required to keep on top of typical business costs and continually monitor them is prohibitive for many.



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## Expense Reduction Analysts

We see opportunities  
where you never  
thought possible

At Expense Reduction Analysts, we have the expertise and experience to deliver the cost management performance that your company requires, allowing you to prepare for the future. If you are interested in learning more, explore the many case studies available on our website. Alternatively, why not get in contact with our team today? We would be happy to help you achieve your goal.

Learn more

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