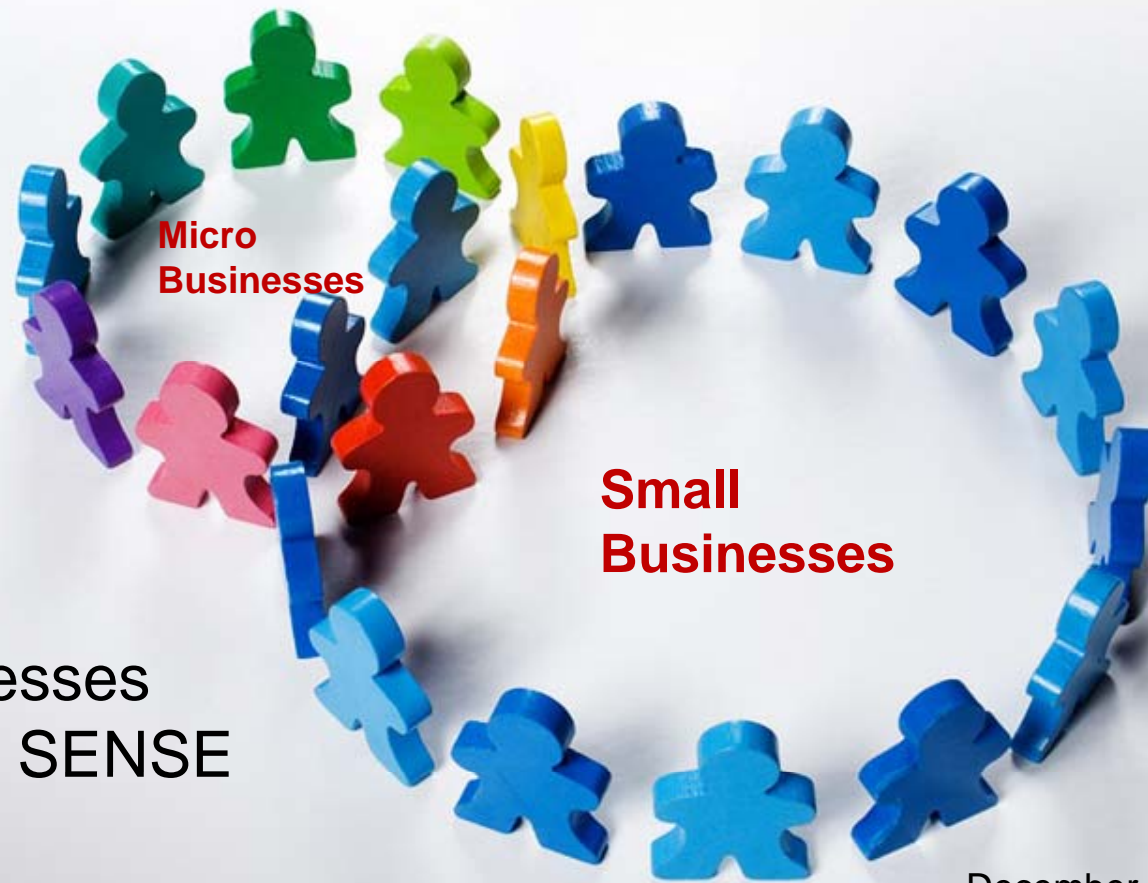


California Office Supplies Alliance



WHY.....

California Businesses
Make the MOST SENSE

December 9, 2008

California Office Supplies Alliance

Overview

Who are the Independents?

Why do they offer a best value solution?

What industry support do we have?

What models are in use in other states?

What would a small business friendly
RFP contain?



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In the “Alliance” right now:

Roughly 50% are Micro businesses

40% are Small Businesses

10% are “Federally Small” Businesses

Nearly all are currently doing business with

State: 2008 volume~\$11MILLION



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In the “Alliance” right now:

(Including the “Federally Small”)

Average # of employees = 15

Total # of employees = 685

of stores = 15 (27%)

of DVBE's = 5 (11%)

of MBE's = ~7 (24%)

of WBE's = ~14 (46%)

Stocking = 34 dealers (70%)

Non-Stocking = 15 (30%)

Average in Business = 31

Average Owner = 24 (not rookies)

Total volume = \$165 MILLION



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“Average” Micro Business:

Volume < 1 million

of Employees = 7

63% are stocking dealers

30% operate retail store

Existing sales to state range:

\$5K - \$2 MILLION

DVBE=19% WBE=39% MBE= 18%



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“Average” Small Business:

Volume < 4.5 million

of Employees = 15

74% are stocking dealers

27% operate retail store

Existing sales to State range:

\$0K - \$2 MILLION

DVBE=6% WBE=64% MBE= 37%



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“Average” Federally-Small Business:

Volume < 14.7 MILLION

of Employees = 58

100% Stocking Dealers

One operates retail stores

Existing sales to state: \$575K

DVBE=0% WBE=25% MBE= 0%



Who supports California's Independent Dealers?

National Office Products Alliance (NOPA)

“NOPA’s mission is to foster growth & improved profitability among independent US & Canadian Office Products dealers and their key business partners”... through delivery of leading edge government advocacy, dealer benchmarking tools, training and leadership of standards development.

NOPA has developed industry data standards (OPIDS)

Used by all (except boxes) to standardize UOM's,
Vendor Prefixes & Stock #'s



Who supports California's Independent Dealers?

The 2 Leading industry wholesalers
SP Richards and United Stationers:

Both have committed time and personnel to help dealers launch this initiative.

Both will play key parts in the fulfillment of dealer orders and provide contract pricing.

Assures that prices to State through this contract are competitive.



Who supports California's Independent Dealers?



Distributes over 30,000 business products using a network of 44 Distribution Centers.

Employs over 2,200 associates.

Wholly-owned subsidiary of Genuine Parts Company.

Provides same & next-day delivery to more than 90% of the US.

Facilities located in Sacramento & Los Angeles.



Who supports California's Independent Dealers?



Distributes over 100,000 business products-
network of 67 Distribution Centers.

Facilities located in Sacramento & Los Angeles.

2007 net sales of \$4.6 Billion.

Provides same & next-day delivery to more than 90% of the U.S.

Line fill rate >97% 99.6% order accuracy
99% on-time delivery



Who supports California's Independent Dealers?



Combined strengths:

- 4 Total Distribution Centers –
- Nearly 50,000 unique items
- Total CA distribution space is over 1 MILLION sq ft
- Nearly \$1 BILLION dollars in CA inventories
- OVER 450 CA employees in range of job functions: warehouse, delivery, sales, customer service & management

For EVERY 10 MILLION dollars in “new” wholesaler sales, estimates are that:

25 NEW JOBS would be created in SAC & LA

Creating over \$1 MILLION dollars in additional wages paid !!!

This DOUBLES the effect of State Procurement effectiveness... &
Puts more Californians to WORK!



Who supports California's Independent Dealers?



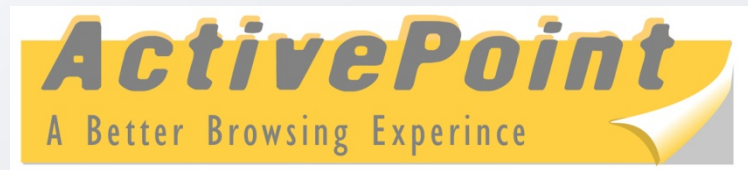
TriMega Purchasing Association is a not-for-profit buying group serving 500+ independent dealers Nationwide.

Is.group is a co-operative doing the same thing for its 250+ member-owners. Operates 3 Regional Distribution Centers in a similar fashion to Ace Hardware.

Both groups are members of BPGI – an International Consortium of 22 buying groups, in 19 countries... charged with negotiating cost-of-goods for Independent Dealers and leveraging over \$14 BILLION worth of global purchasing power.



Who supports California's Independent Dealers ?



Produces a Custom electronic flip page catalog

Available to produce CA “core” electronic catalog-
interactive with shopping cart if desired

Currently producing Green Catalog & flyers for
many independents nationwide



Who supports California's Independent Dealers ?



Data provider

Common Internet-based ordering = Speed & Simplicity

Controls all contract pricing = 100% Pricing Integrity

Shopping cart environment – “CORE” items clearly marked

Approval chain – Multiple payments methods at checkout

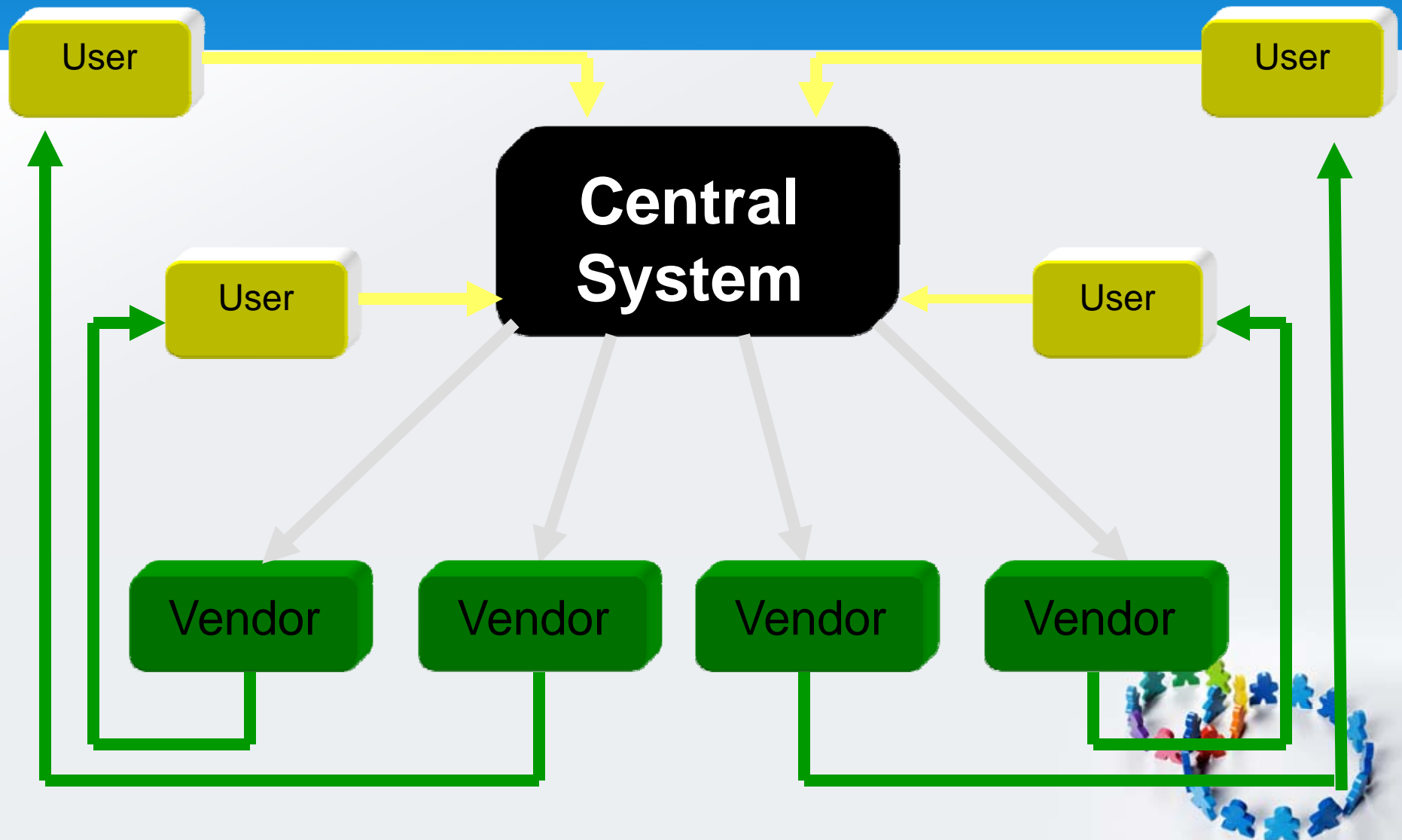
Creates all common usage reports (captured at order entry)

Reports designed to CA specs: SQL & Excel





Order Flow



Reporting

Consolidated Usage from a single database:

By User, Department, Agency, Dollars, Hits, Item's, etc.

Customized Reporting

Analysis of Spend/Purchasing Trends

Non-Contract high use items

Non-Contract Equiv to Contract Items

Identify questionable purchases – block items by SKU# or category.

Identify obsolete contract items

Goal = Recommendations to continually Reduce State Costs

Partner to implement approved recommendations



Pricing

Independent dealers ARE a price competitive alternative to single-source contracts.

Other Critical Price Considerations:

Is product available when needed?

Is obtaining the item fast & easy for Customer?

Is product quality good?

Is product price consistent?



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California's Independents provide "Best Value" to the State:

Extensive "local" inventory –

Dealer inventories + United & SP Richards

Next day delivery standard

Same day "Emergency" delivery available or will call at our
individual facilities/stores + at United/SP Richards Sac/LA

Easy returns – prompt, accurate credits

Capable of processing specials



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California's Independents provide "Best Value" to the State:

Local companies- Roots are in CA communities

Industry experience- Hire/retain veteran staff

Easy access to top management

Local customer service-Visible, accountable, knowledgeable

Provide personal contact – responsive to inquiries

Empowered staff to serve State users

Flexibility to meet your needs



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California's Independents provide "Best Value" to the State:

NO CUF issues:

Everyone is responsible for the execution of distinct elements of the work of the contract

Everyone performs, manages & supervises work

Everyone does work that is "normal" for its business...

No one is further subcontracting a portion of the work than is greater than that expected to be subcontracted by normal industry practices.



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Independent Dealer Benefits:

Superior support & service to each state user

Flexibility to meet end user needs – empowered staff – active owners ensure customer needs are met promptly & ensure compliance of program requirements.

Competitive Product Prices

Dealers are CA taxpayers too! Have a personal interest in Reducing/Controlling State Spending.

KEEPS MONEY IN THE LOCAL ECONOMY!



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California's Independents provide "Best Value" to the State:

We create the JOBS for California...

98% of all businesses in CA are small businesses-

88% are Micro-Businesses <2.5 million.

Over 50% of all CA employees work for small business

18.8% in Micro-Businesses!

(figures courtesy of Small Business CA)



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California's Independents provide "Best Value" to the State:

Prior contract valued in excess of \$25 million created maybe
25 NEW JOBS for small business...

(based upon Consortium Members testimony to Assembly Select Committee on Procurement held in May, 2008)

Current contract holder allowed for \$1.7 MILLION in sales per
employee.

Independent OP Dealers report \$300,000 in sales/employee
for dealerships < \$5 MILLION in sales:

RESULT = 83 JOBS_(minimum) - almost 60 NEW ones!



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National studies have shown impact of local spending:

Andersonville: <http://www.civiceconomics.com/Andersonville/html/reports.html>

(A 2004 study comparing the economic impact of ten Andersonville retail businesses and their chain competitors.)

Locally-owned businesses generated a substantial Local Premium in enhanced economic impact.

For every \$100 in consumer spending with a local firm,
\$68 remains in the Chicago economy.

For every \$100 in consumer spending with a chain firm,
\$43 remains in the Chicago economy.



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A NEWER National study shows the impact of local spending on public contract procurement:

Arizona: <http://localfirstaz.com/downloads/procurement-matters.pdf>

(A 2007 study comparing the relative economic impact of Wist Office Products, a local company, vs. the contract division of Office Max.)

“Incorporating the enhanced economic activity driven by Wist’s heavily local supply chain provides a complete and accurate accounting of the local recirculation of money by the two firms:

Of total revenue at Wist, 33.4% remains in the local economy.

Of total revenue at Office Max Contract, only 11.6% remains.



Procurement Matters-

Economic impact of Local Suppliers

Translate Arizona to the most recent Office Products
Spend of \$40 Million...

If spent entirely with California businesses...
13.3+ Million would have remained in California (33.4%)

When spent with a out-of-state corporation...
only 4.6+ Million remained in California (11.6%)



Procurement Matters-

Economic impact of Local Suppliers

However... the Wist findings continued...

“For example, assume a single government entity in the State of Arizona purchases \$5 Million worth of widgets each year.

If that contract were made through Office Max Contract, only \$580,000 would remain in the state of Arizona at the end of the year.

If the same contract were made through Wist or a similarly situated local supplier, an additional \$1 Million would find its way to the people of Arizona.”



Procurement Matters-

Economic impact of Local Suppliers

Public Sector

“Even more than in the private sector, public sector institutions are in a prime position to capture benefits from the enhanced economic activity associated with local suppliers. Additional dollars re-circulating in the local economy generate taxable transactions, employ local citizens, and promote the economic vitality of the community. This is true for the State and its institutions, and for counties, municipalities, and other political subdivisions.”

“Prior to this study, neither Civic Economics nor any other research organization could put a dollar value to the impact of traditional local suppliers like Wist. Now, with the release of this study, the answer is clear. Local suppliers generate dramatically greater economic activity than their chain competitors. In the case at hand, using the most locally invested of the national chain suppliers, one with a sizeable physical presence in the Phoenix area, the local firm generates nearly **three times** the economic impact.”



California is focused on supporting SB's, DVBE's & Micros

Working together to satisfy the state requirements...
to the state's satisfaction.

Is there a role for a limited number of “federally-small”
businesses?

They could provide leadership, mentoring & depth of
personnel in regions not sufficiently covered by other
members.



Other States ???

Out for Bid at present:

Georgia: Bid closed September, 2008

A group of dealers who had formed a LLC for the 2005 bid successfully tendered a again bid in 2008...

It is in the Evaluation process at this point. Their proposal utilized GOPD software employing similar features as already outlined.



Other States ???

Recent awards:

New York: Awarded May, 2008 - 5 years
Selected 3 vendors from SB, WBE, MBE
& 3 “nationals” – Max, Staples & CorpExp

State divided into 4 districts –
4 vendors won a state-wide award
2 SB's each won a 2-district award.



Other States ???

Recent awards:

North Carolina: Awarded Nov, 2008-2 years- \$14 Million

Selected 4 vendors - lowest price

Winners were 3 Independents & Staples

Of interest: After audit & recovery of nearly \$300K, State regrouped & put out a bid that was very different... list pricing from

U & SP... can change quarterly... bid on 4 categories of items (Supplies, Equipment, Paper, Cartridges) (brand & private label)

% off list. No SUBS. 14.5K items (12K OEM-balance U or SPR-each assigned to category: Only pre-selected items can be ordered.

Made allowance for groups of dealers to bid as a “collective group” – only SINGLE punch-out catalog.



How can Independents work with the State of California?

A Small Business-Micro Business friendly model could be implemented.

Take full advantage of SB/DVBE contracting goals & procedures – Governor's exec order #S-02-06

25% SB participation goal

"California's sustained economic prosperity is tied directly to the success of the State's small businesses."

Full CUF compliance for all bidders.

Inclusion of Loss Leader Law: (B&PC 17030-17040-17043-17044-17045)



How can Independents work with the State of California?

Independents are:

FLEXIBLE....

CAPABLE....

AND...

Interested in doing business

IN OUR STATE

WITH OUR STATE!



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Conclusion



Micro
Businesses

Small
Businesses



is.group

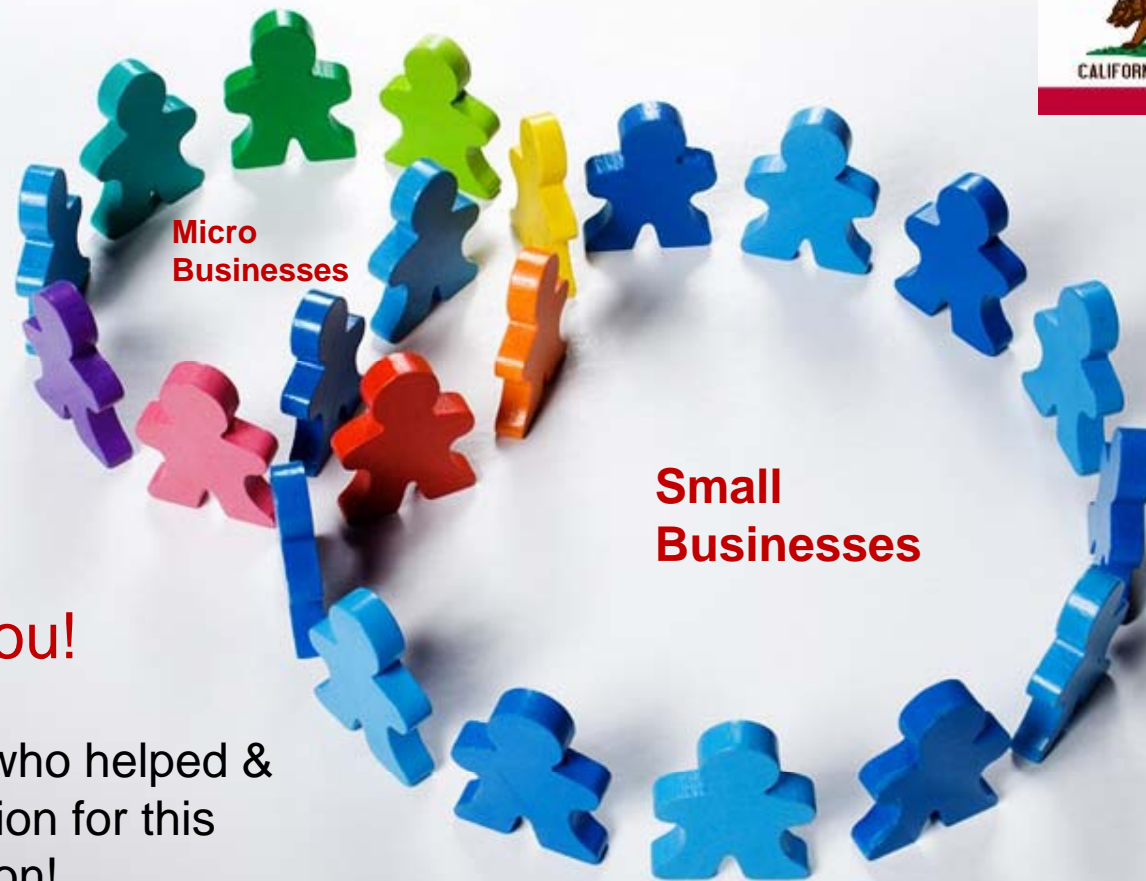


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Questions?



Thank you!

AND thanks to ALL who helped &
provided information for this
presentation!