

THE 4C's – THE FUTURE OF LIBRARY CONSORTIA PURCHASE CONTROLS + COMMUNICATION = COST SAVING + CUSTOMER SERVICE

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ABSTRACT

Public Library Services (PLS), South Australia (SA) developed the 4C's system to establish a dynamic, responsive and competitive consortium for the purchase of library materials utilising a panel of 9 suppliers and best price methodology for the South Australian Public Library Network.

And the results?

- The network purchases on average 242,000 items per annum
- Average price is \$22.79 per unit
- Average cataloguing cost is \$5.06 per unit
- Delivery of items within 3 days of delivery to the bookstore
- Catalogue records are auto-downloaded to local library management systems

Geoff Stempel, Associate Director, PLS will detail the 4C's system and how it delivers benefits to the South Australian Public Library Network.

1. INTRODUCTION

The South Australian public library network has worked as a consortium to procure library materials for several decades. It was an early adopter of e-procurement, going live with its first computer system in the 1980's. The State's 136 libraries have found a way to combine their purchasing power so that even the smallest most remote library obtains the same discounts, and access to choice as the biggest consortium member.

The consortium ensures that all libraries have local control over collection management and materials selection, while centralised procurement, cataloguing, contract management, budget management and invoice processing provide libraries with both flexibility and efficiency.

This paper provides an overview of the journey we have taken as a network to achieve these outcomes.

2. OVERVIEW

SA's PLS developed the 4C's system to establish a dynamic responsive and competitive consortium for the South Australian Public Library Network's purchase of library materials, utilising a panel of 9 suppliers and best price methodology.

PLS has developed and implemented a contract management framework for the materials supply and delivery services to ensure that contractual obligations are met. This framework provides for the ongoing management of contracted suppliers in accordance with a formal contract management plan and a set of agreed key performance indicators (KPIs).

Recent major contract management achievements have included:

- Re-engineering the order distribution methodology to deliver best price outcomes, greater pricing competitiveness within the supply panel and reduction of cancellations
- Establishing sustainable measurement systems for assessing supplier performance against agreed KPIs
- In consultation with public libraries, reviewing and updating collection development profiles to improve the quality of the monthly selection list
- Establishing contract management meetings and issues registers for all suppliers to ensure contractual issues are tracked and resolved promptly
- Introducing an electronic monitoring system to capture delivery data and measure the performance of the delivery services contractor
- Developing supplier and customer guidelines to ensure consistency in delivery procedures

3. THE 4C's

The 4C's outlined at the end of this paper are really just a summary of something bigger – the journey that PLS and the South Australian Public Library Network have embarked on in our quest to build an effective, collaborative state-wide library materials procurement system that delivers value to our libraries and the South Australian community.

4. WHERE THE JOURNEY STARTED

Like many government bodies that have the need to procure, PLS has been affected by various procurement trends:

- In the 1970's, growing public sector accountability and emphasis on transparency, responsiveness and efficient service delivery
- In the 1980's, financial management reform and the increasing use of the private sector to deliver services
- In the 1990's, productivity reform with a strong emphasis on cross government cooperation and the use of consortia to reduce the cost of delivering outcomes

- In the 2000's, emergence of e-commerce, risk management and supply market partnering

Until just a few years ago, the procurement system managed by PLS was as follows:

PAST MODEL

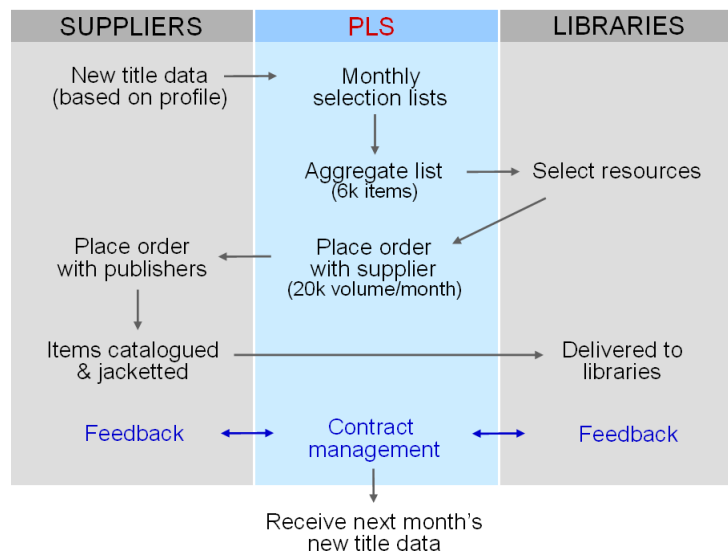
- **Passive centralised management**
with little input from libraries
- Focus was on achieving 'low cost' outcomes but effectiveness limited by ad hoc systems
- Above issues impacted on library 'ownership' and satisfaction

5. THE JOURNEY CONTINUES – WHERE WE ARE TODAY

A restructure of PLS enabled us to take a 'start from scratch' approach with many of the services we deliver to the South Australian Public Library Network, including procurement.

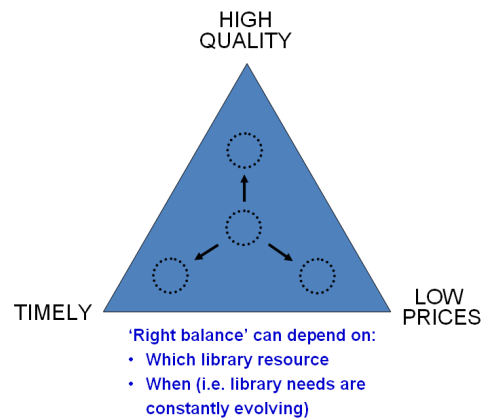
Our current procurement process for library materials can be summarised by the following diagram:

SA Public Library Procurement process



When planning our procurement strategies, we started with the classic 'Cost/Quality/Timeliness triangle' (refer right) to see where we should be striving to aim, whilst considering the needs of our library customers.

By actively listening to our customers (via informal feedback, focus groups, working parties and Network-wide surveys) about what they value and what is most important to them in various areas of material purchase, we have learned that there is **no** 'one size fits all' approach that will work across the board in terms of the balance between Cost/Quality/Timeliness constraints. Flexibility is required!



For example, we've learned that:

- For community language resources, our Network tends to value quality over other factors
- For DVDs and music resources, our Network tends to value cost above other factors
- For Adult Fiction best sellers our Network tends to value timeliness over other factors

...and even across our Network, some libraries have different priorities for the same resources when considering the Cost/Quality/Timeliness constraints!

In essence the challenge has been to create systems around a procurement strategy that inherently must be flexible if it is to effectively deliver value.

So today, our procurement model looks more like:

CURRENT MODEL

- **Active centralised management with ongoing input from libraries which drives outcomes**
- Focus is on achieving best value/bang for buck outcomes
- Has achieved increases in ownership, engagement and satisfaction

6. MANAGING SUPPLIER PERFORMANCE

PLS is responsible for managing supplier performance. This includes:

- Working with suppliers, setting and monitoring KPIs. The needs of the libraries and what is important to them are subject to change over the course of a long term contract, the contract management process includes the regular review of KPIs to ensure ongoing relevancy and value
- Working with libraries, gaining feedback on how well suppliers are meeting KPIs (e.g. quality of cataloguing, timeliness of delivery, quality of packaging and labelling etc.). To gain the data required here, focus groups and Network-wide surveys are used
- Monitoring prices of large retailers (bricks and mortar as well as online) of library materials that appear in the list, to be compared against the prices of our contracted suppliers

7. THE BUSINESS MODELS OF OUR SUPPLIERS: A KEY CONSTRAINT

A challenge for PLS is to help our libraries understand that as a Network we are constrained by the business models of our suppliers. In other words, there may be services and products we'd like our suppliers to provide now, however if these services and products are outside the suppliers' normal business, the Network will pay a premium to receive them.

For this reason, our contract management team has invested time to understand the constraints of the publishing industry and supplier business models so that the Network's current and future procurement strategies are aligned with these.

8. FEATURES AND BENEFITS OF OUR CURRENT CONSORTIA-BASED PROCUREMENT STRATEGY

8.1. Shared savings

The buying power of the consortium has led to substantial savings including:

- Increased discounts based on a total contract value of \$5.6 million – all libraries receive the best possible discounts regardless of size and budget
- Centralised contract management to measure supplier performance with the costs for professional contract management staff shared across the Network
- Procurement overhead costs (i.e. IT systems, invoice processing) are shared enabling libraries to spend more resources on selection activities
- Ongoing pricing analysis and competition to further reduce pricing and encourage suppliers to increase discounts during the course of a contract

8.2. Timeliness of delivery

PLS measures the performance of each supplier against a set of agreed timeframes. The table below highlights the delivery timeframes being achieved under the current procurement model, measured in average calendar days from the date of publication or supplier receipt.

Type of Material	2008	2009	2010
Urgent	5.5	4.3	4.6
Standard	10.5	9.4	9.1

Table 1: Delivery timeframes achieved under the current procurement model

8.3. Centralised cataloguing provides labour savings, increased consistency and 'quicker to shelf' times

Materials purchased via the consortia arrive catalogued to an agreed network standard.

So instead of many cataloguers across the Network individually and simultaneously processing a particular title, the task is done once by the supplier, thus avoiding duplication. Ultimately this frees up library staff for other activities and also means resources hit shelves faster as they are not held up in 'awaiting cataloguing' bays behind the front desk.

Given the size of the consortium, its 136 libraries only pay once for each catalogue record purchased and then reused for all libraries which require a record.

8.4. Minimal human resources required to administer the procurement and accounting system

The FTE breakdown of staff time required to administer the procurement system is:

- Contract management: 1.5 FTE
- Quality and performance monitoring: 1.0 FTE
- Daily brokerage (e.g. orders, claims, cancellations, replacements): 0.8 FTE
- Day to day Network liaison: 0.3 FTE
- **TOTAL: 3.6 FTE**

The total accounting function for the payment of over \$6M in invoices for library materials, cataloguing, State-wide delivery services and State-wide provision of internet access to all public libraries is less than 1.0FTE.

Without a consortia approach, the contract management and financial services staff requirements across the Network (where libraries would be purchasing individually) would be significantly higher. It's reasonable to assume that the staff time saved by the centralised model allows libraries to spend more on resources or other programs or for councils to operate effective libraries with lower overheads.

8.5. Systems and controls that still allow local autonomy

We have developed systems and controls that allow libraries to still have local autonomy:

- Local selection – libraries select materials to suit their local community needs from the monthly selection list (they are not given a prescription of what to buy...thus busting the myth that consortia procurement means libraries lose choice)
- Local purchase – libraries have the option to use up to 30% of their materials funding for purchasing at the local level (i.e. outside of the consortia)

- Reader requests – if library customers request an item that is not on the list, our procurement system is flexible enough to allow libraries to purchase this from consortium suppliers at the agreed discounts

8.6. Effective communication processes

Communication about the Network's procurement needs flows via:

- Committees and working groups (e.g. Collection Development Group)
- Feedback, focus groups and Network-wide surveys

8.7. Shared knowledge and expertise

Across the South Australian Public Library Network there are individuals with high level procurement experience, expertise and skill sets. Because of the communication processes we have built into the system, the Network as a whole gain the benefits of this expertise.

9. CONCLUSION

The South Australian Public Library Network can clearly demonstrate both the financial and customer service benefits derived through its current partnership approach. However as library needs change and the age of electronic information increasingly impacts on libraries this consortium will continue to apply the same principles and continue to deliver benefits for all South Australians.

THE 4C's

