

Risk Management Used in Commodity Contracts

ARIZONA STATE UNIVERSITY, UNIVERSITY OF ARIZONA, AND NORTHERN ARIZONA UNIVERSITY

Tri-University Furniture Consortium



The Tri-University Furniture Consortium of ASU, U of A, and NAU was experiencing unsatisfactory performance from their furniture providers. The consortium turned to our group to apply the Best Value Model for dealer selection, contract development, and contract management support for risk and performance measurement.

The results have been impressive. The Best Value approach challenged the traditional process of commodities contract procurement by evaluating the suppliers on their ability to identify and minimize risk. Dealers now monitor their project delivery performance on a weekly basis, in terms of cost and schedule deviations. The contract has saved the Universities approximately \$2.9M, with 0% cost increases, and an overall 5% schedule delay over the past three years.

Cost Savings: 15%

Contractor Change Orders: 0%

Schedule Delays: reduced to 5%

Satisfaction: 40% increase

Total # of projects: 1,115

Type: Furnishing services

Manufacturers: Knoll, Herman Miller, Steelcase

Location: Statewide in Arizona

Contract: \$7,700,000 / annually

State Date: July 2009

Finish Date: July 2012

REFERENCE: John Riley, Executive Director of Purchasing, Arizona State University | john.riley@asu.edu | 480-965-6532