

Dell Institutional Buying Program
Greenfield and Schweizer, 4/9/02 (expanded 4/16/02)

Approved by ECAT, 4/9/02.

Follow-up with TSAC, 4/16/02.

Summary

From its inception, TechZone was established to attempt to create the most aggressive support and pricing possible from computer vendors for Illinois State University. In discussions with the national vice president for Dell marketing last fall, we were told that the way to get the best service and pricing from Dell was to have one point of contact for the campus, an institutional campus support agreement.

Student Technology Support Services (STSS), on behalf of Illinois State University is currently investigating such an institutional partnership with Dell in which TechZone would be the point of contact for the campus. The program will allow better monitoring and pricing of Dell purchases across the campus—especially on smaller orders—and overall savings to the University. If we choose to pursue the partnership, STSS will go through a qualification and negotiation process with Dell. While indications are favorable that we would be accepted, it is not guaranteed. The program would provide for a better relationship between Illinois State and Dell, overall enhanced services, and access to a higher level of support. As an example, it is expected we would negotiate a waiver of all fees to the Dell Premier Access program which would allow campus representatives to be hardware certified and have direct access to 2nd level support.

Trends

The following are some of the issues an institutional partnership with Dell can address. These trends have been identified examining both personal computer market forces and Illinois State University buying experiences. STSS has visited two campuses, University of Wisconsin—Madison and University of Chicago, to examine their implementation of a Dell purchase program.

- The current arrangement with Dell means that technical support calls from campus are routed through the lowest or Level 1 support (which starts with questions like “is your monitor plugged in”).
- Profit margins in the PC industry are razor thin. The amount of room a vendor has to negotiate between their cost and price offered is slim.
- PC prices are highly variable with component costs and competition factoring into each quote. Prices can lower or rise on a frequent basis.
- Dell has been moving to online ordering through the web which they label as “premier pages”. At a recent meeting, we were told by a VP that having a Dell sales rep available for phone orders was a “luxury”. While there have been missteps, the clear direction from Dell is to move orders to the web.
- Illinois State has a current signed Volume Purchase Agreement (VPA) which allows for a discount schedule based on a University annual purchase level for purchases through our

phone representative. While we still have the agreement, it has been a non-factor in the recent years as Dell has cut prices so dramatically on the general higher education web site, the VPA applied pricing is more. Thus Illinois State is not consistently getting recognized as a major Dell partner in pricing.

- Dell has two PC product lines. The traditional business line (with the best margins) is Optiplex for desktops and Latitude for laptops. The traditional consumer line is Dimension for desktops and Inspiron for laptops (with much tighter margins). Previously, the “business line” was a clear choice for most Illinois State departments but this is becoming more blurred resulting in various pricing.
- Over the last three fiscal years, between 66 and 75% of orders placed at Illinois State have been under \$12,000. It is these small orders where we probably are not receiving optimal pricing.

How the Dell Institutional Program Works

Orders will still be placed from quotes by the Illinois State purchasing office with delivery through central receiving, property control, etc. What will change is the process of getting a purchase quote. The ISU department will contact TechZone either with an on-line quote (self constructed through a Dell web page) or an idea of what needs to be purchased (where TechZone staff will start from scratch). It will be the responsibility of TechZone staff to find the most aggressive pricing on each order whether through web sites, combining orders, or involving Dell inside support account representatives. In order to make the program work, department representatives will be asked to not contact Dell sales representatives directly. (Relationships with Dell specialists such as system engineers will not change, in fact, we will likely have greater access to technical resources.)

For all orders, large or small, we will be able to leverage total university sales to negotiate for the best pricing. In conversations with Dell, it is expected that small (to \$12k) and medium sized (\$12K to \$60K) orders will see the most significant pricing advantage. We have also been told, however, that large orders, depending on the configurations of the hardware, may receive some price advantage.

If the department wishes, comparisons can be made with other vendors and then used for negotiating purposes. If multiple departments are buying at the same time, it may be advantageous to combine the orders for better pricing. The full Dell catalog will be available; TechZone staff may suggest departments look at another system or model line if the pricing is more advantageous. *This option will always be at the ordering department's discretion.*

Our goal for the campus is to ensure that the process will not cause any additional time for order placing than currently experienced. In fact, we expect that for common orders the process will be much expedited since we will have a small staff with familiarity of the products. TechZone staff have had positive discussions with ISU purchasing and we believe that working together, we can improve existing situations which have delayed orders in the past. Multiple staff people in TechZone will be able to work on orders. As the program starts and we work out order processes, the TechZone Manager (Andy Schwiezer) and STSS Director (David Greenfield) will be personally responsible for insuring all orders are processed on a timely basis.

Advantages and Other Details

- Illinois State, through TechZone, will be able to approach Dell as a single \$1.5 to \$2.5 million dollar account as opposed to many small accounts under \$100K. This will result in better overall pricing and a higher level of service from Dell.
- Illinois State will be eligible for the Premier Access Program which allows campus representatives to be trained, tested, and certified on Dell hardware and then allowed direct access to 2nd level support as well as parts exchange. Dell is willing to waive the various initial fees associated with this program (approx \$150 per support person and \$1,500 per unit).
- Illinois State commits to Dell as an institutional partner with an initial target of \$1 million in sales a year through the program.
- Illinois State will try this program for one year and involve the campus in an evaluation of its effectiveness prior to renewing the program for a second year.
- Illinois State will have a knowledgeable pre-sales staff working to make sure ALL departments are getting the best pricing on a consistent basis, and with orders expedited quickly.
- Illinois State departments will have staff in TechZone rather than at Dell to help prepare orders.
- Illinois State will have a better sense of what systems/configurations are being purchased and can better involve Dell on campus for presentations, road maps, technical consulting, etc., as well as Level 2 problem resolution.
- Illinois State will be able to better compare total business and individual purchases against multiple vendors recognizing that the vendor used is the department's choice. This is also true for peripherals (i.e. memory).
- Illinois State will be in the position to receive more services through TechZone in the future. Some of those programs at other institutions include: stocking of one or two common systems for immediate pick-up at time of order, combining of orders for better pricing, and enhanced warranties or on-site service.
- Illinois State, through TechZone, will receive a rebate of 1% to 4% of purchases for cost-recovery (much like the rebate program works for personal sales). These dollars will go towards TechZone operations. Dell has assured us that the rebate program will not inflate the price of campus system purchases; the rebate represents the savings in time and effort that TechZone provides Dell in this partnership.