E&I/IBM Program for the Purchase of Cisco Products

Executive Summary

The University currently has an agreement with Cisco which provides a 40% discount on all Cisco products and a 30% discount on SmartNet support and maintenance**.** The Educational & Institutional Cooperative Service, Inc. (E&I), a buying cooperative, has joined with IBM to offer Cisco products at a 40% discount with an after-payment rebate of 5% off Cisco list price. Support and maintenance costs are basically the same as under the University's agreement. ITLC requested that UCOP review this program to determine whether using it would be preferable to purchasing directly through Cisco. UCOP's review consisted of conference calls and meetings with representatives of E&I, IBM, Cisco, campus IT staff and campus purchasing staff, and analyses of all pertinent documents.

UCOP previously recommended against purchasing through the program for two reasons:

- Cisco would not allow these purchases to count towards the University's purchase volume. This would have reduced the discount for departments purchasing directly from Cisco.
- UCOP had concerns about the language of the Member Acceptance Document.

These concerns have been addressed. UCOP now recommends that departments consider purchasing Cisco products through this program because doing so would enable the University to save approximately $1M out of the approximately $12M it currently spends each year on Cisco products.

The program is available to all campuses, UCOP and the three National Laboratories. The discount on equipment and software and the rebate are the same for both the three Laboratories and the campuses, but the Laboratories will not receive the 30% discount on maintenance.

Background

The Educational & Institutional Cooperative Service, Inc. (E&I) is a not-for-profit buying cooperative which provides goods and services to its members. It is owned by more than 1500 tax-exempt colleges, universities, prep schools, hospitals, medical research institutions and hospital purchasing organizations located throughout the United States. Each University of California campus and federally National Laboratory is a member. The E&I/IBM program enables customers to purchase Cisco products and support through IBM. It provides a 40% discount off list price and, once the purchase is paid for, an additional 5% rebate from E&I. The program is described in detail at http://www.eandi.org/supplier_info/supply_partner/default.aspx?producttypeid=10&Page =0&ArticleID=541. It is a three-year program, of which approximately one year remains, and it may be renewed. The rebate is guaranteed for the current duration of the program. E&I has been working with the University of California system for many

years, and both UCLA and UC Riverside have recently used this program to purchase Cisco products.

The University also has its own Cisco agreement, which is open to the campuses and to UCOP, but not to the National Laboratories, and which provides a 40% discount as long as the University's volume reaches a certain level. Campus departments are free to use either this agreement or the E&I/IBM/Cisco program. The National Laboratories may use the E&I/IBM/Cisco program or purchase on their own. Details of the E&I/IBM/Cisco program are provided below.

Program Details

Paperwork

UCOP has already completed the Member Acceptance Document, which is attached and which will be posted at http://www.ucop.edu/matmgt/ppp/cisco.html. This document contains nonnegotiable terms and conditions. Since, however, UCOP had some concerns about it, IBM has written a letter of clarification, which is attached to the document and which will be posted at http://www.ucop.edu/matmgt/ppp/cisco.html.

Each participating department need only complete the Account Information Document. This document is available at
http://www.eandi.org/supplier_info/getting_started_info/default.aspx?articleid=524&producttypeid=10&narticleid=541&Page=0. The password required to view it can be requested from that Web page. A copy of the Account Information Document is also attached.

Ordering

E&I has a California based office that is available to serve each location. The E&I Member Service Team in California will, if requested, present the E&I/IBM/Cisco program to a campus or laboratory, answer questions, and help customers get started in the program. They will also work with customers to resolve any problems that arise.

Contact information for the E&I Member Service Team Representatives is below.

E&I Technology Program Specialist	Elie Saade 800.283.2634 x 347 atesaade@eandi.org
Director, General Products	Gary Kammerman 800.283.2634 x 315 gkammerman@eandi.org.
UC Berkeley UC Davis	Jennifer Nisbet Voice: 559.292-4892

UC Merced UC San Francisco UC Santa Cruz UC Office of the President Lawrence Berkeley National Lab Lawrence Livermore National Lab	Fax: 559.292-4893 Email: jnisbet@eandi.org
UC Irvine UCLA UC Riverside UC Santa Barbara	Kenneth Schafer Voice: 562.434.5312 Fax: 562.433.5679 kschafer@eandi.org
UC San Diego	Gary Wilson Voice: 949.916.7670 Fax: 949.916.7686 Email: gwilson@eandi.org

IBM has a project office dedicated to E&I members in Chicago with an 800 number and a dedicated email address. A fax machine is also available, but without an 800 number. The size of the workforce located at that office depends on the purchase volume. There are currently ten full-time dedicated employees, but a pool of about twenty additional people is available. Customers can place an order with anybody on the team. IBM's Support Office usually acknowledges order receipt via email within 8 business hours and contacts customers with the expected ship dates and/or scheduled delivery dates, after orders are accepted and scheduled by Cisco. The contact information for this office is as follows:

Email: ibmeandi@us.ibm.com
Phone: 1-800-706-9622
Fax: 1-732-210-0275
Address: IBM E&I Project Support Office
            Two Lincoln Centre, 6th floor
            Oak Brook Terrace, IL 60181

Quotes may be requested by E-mail, which is the preferred method, or fax. Whichever method is chosen, please be sure to:

1. Indicate that you are an E&I member and reference Contract No. CFTQQ1J.
2. Attach your request as a spreadsheet or other document or simply include your product list in the body.

Your request will be acknowledged within eight business hours of request receipt and the quote provided within twelve business hours.

Orders may be placed by fax – which is the preferred method - email, telephone, or U.S. mail. Whatever method you choose, please be sure to:

1. Indicate that you are and E&I member and reference Contract No.CFTQQ1J.
2. Reference your quote number and identify items to be ordered by:
- Part number (Make, Model, etc.)
- Quantity
3. Include:
- Ship-to information
- Shipping method (if non-standard). Standard: UPS 2 – 7 business days
- Invoice-to information

Departments may also order using the Internet-based online IBM Store for E&I, which is available 7 x 24 x 365. This system can:

- Configure Cisco orders
- Provide pricing on Cisco and other networking products (cabling, connectors, power protection products, etc.)
- Place orders (based upon University-established business requirements)
- Track orders from placement to delivery
- Provide reports showing multiple purchase-volume views (by user, by category, by cost center, etc.)

IBM will provide free training to customers wishing to use the on-line ordering system. Exceptions to, questions about or problems with orders placed through the system will be handled by the IBM project office.

Rebates

Rebates, which are 5% of list price, are issued by E&I's New York office. E&I sends one monthly check to each department that has paid invoices during that month, with a report listing P.O. numbers and amounts. Since the cycle is monthly, rebates are received for orders at least one month after the invoices for those orders have been paid. The 5% rebate will never be folded into the discount.

Shipping

Shipping is covered only for purchases greater than $50,000, while the University's direct agreement with Cisco includes free shipping for all purchases. Because IBM is serving as an intermediary between the customer and Cisco, order processing takes a couple of days more than it would for purchases made under the University contract. Shipments can be addressed to as many contacts as necessary.

Pre-sales Support

Pre-sales support is still provided mostly by Cisco, though some support can be provided by IBM. Cisco quotes can be used for orders but they must be confirmed by IBM.
Any necessary technical follow-up on a particular piece of equipment can be provided by Cisco online or by a Cisco representative.

<u>Maintenance</u>

Campus customers can purchase Cisco SmartNet at the standard academic discount of 30%, in which case support and maintenance will be provided entirely by Cisco. There is an alternative maintenance program from IBM with discounts of 32% for one year, 35% for two years, and 38% for three years. (All maintenance is payable in advance and discounts are based of Smartnet list price.) Customers who choose the IBM program receive Cisco parts and access to the Cisco Website, but any personnel sent onsite, as well as all level 1 and level 2 support, are provided by IBM. Level 3 support is provided by Cisco.

DOE Laboratory customers should contact IBM for maintenance pricing. The National Laboratories are not eligible for academic pricing and the discount may be as low as 10%.

One of the key terms of the E&I/IBM member acceptance document requires the subscribing department to turn over all of its Cisco maintenance renewals to IBM. This is a non-negotiable term that has both advantages and disadvantages. It is a disadvantage because it makes it difficult to try out the E&I/IBM agreement on limited basis. The advantages include the following:

- IBM will co-term the renewals and provide a report 90 days before the maintenance payment is due. This could decrease departmental administrative costs.
- Unlike the University's agreement with Cisco, the E&I/IBM agreement does not require the purchase of first-year support and maintenance.
- California sales tax is charged on maintenance if the maintenance purchase is mandatory and if any software updates are shipped on tangible media. Since first-year support is not required under the E&I/IBM agreement, it is not taxable. In the case of the University's Cisco agreement, one year of SmartNet must be purchased with any equipment (except for products with a minimum lifetime warranty) and is, therefore, taxable. Subsequent SmartNet purchases are not taxable because they are not mandatory and all software updates are downloaded.