
Action Plan for UI Surplus

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Equipment Team in Bus 378
Project Management

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EXECUTIVE SUMMARY

INTRODUCTION

This proposal is a business case to increase the operational efficiency, profitability, and the environmental sustainability impact of University of Idaho's Surplus department (hereafter called Surplus). Our team has examined Surplus's current business operations and compared it to WSU surplus' profitable operations. The methods used for research include surveys and interviews of primary and secondary stakeholders.

PROBLEM STATEMENT

University of Idaho's Surplus department brings in less in annual sales (roughly \$100,000) than the amount it spends on its annual operations (over \$230,000) due to several reasons. The general awareness of a Surplus department on campus is low and the operational level of the department is understaffed. The warehouse is full of items, many of which are of little value and are unlikely to be sold. Furthermore, an unimplemented inventory database system means the items are not being kept track of. And the policy involved with the sale or disposal of State owned items is resisted by a number of departments. The Office Equipment Team from the Project Management class taught by Tracie Lee has written within this proposal some recommendations that will resolve these issues.

RECOMMENDATIONS

The issues that need most immediate attention will be mentioned in the beginning of the proposal under short term recommendations, followed by long term recommendations. Here are a summary of our recommendations: First, Surplus should clean out the warehouse by removing excess inventory followed by implementing the database that they already bought. With an efficient sales floor and warehouse, Surplus needs to strive to enforce policy. The policy is somewhat overlooked but with strict enforcement of the disposal of property policy, Surplus will be able to receive and process items with less effort and time. A marketing plan to promote Surplus' visibility can increase sales and increase profitability. Finally, hiring new employees will help Surplus take full advantage of the previous recommendations by alleviating manual work currently done by managers, and providing free equipment transportation to encourage departments to give more used items to surplus.

CONCLUSION

This proposal has been created with the best interest of all stakeholders to make Surplus at the University of Idaho a successful operation. The information present is based off of interviews and a survey, which have led to the recommendations that are included.

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SHORT TERM GOALS

UTILIZING THE WAREHOUSE

Surplus is suffering from a material, supplies and equipment overload in their Warehouse. This prohibits them from maximizing their profits, because as low or no-value items are being stored, goods that are more likely to be sold are neither making it to the floor, nor being presented in a way that would encourage sales.

We would suggest that Surplus take full inventory of everything they have inside and outside of the warehouse, then categorize items as either salvageable, recyclable, or scrap. Surplus should remove everything from the warehouse, surplus facilities and grounds that will not be resold. Recycled products will need to be transported to the recycling portion of U of I Waste Management, and everything that simply does not have a high enough benefit to cost ratio for Surplus to incur holding costs will have to be disposed. This frees up their space inside the warehouse so that they do not have to store items in the yard, which can lead to items being damaged through environmental exposure.

The complete overhaul of the warehouse will be the initial step in the process. This step can be accomplished through the hiring of temporary laborers. After the warehouse has been rearranged, Surplus should focus on the ultimate goal of maintaining an efficient inventory process using a database (which will be discussed next). An efficient inventory process enables Surplus to keep up to date with new inflows of product, enter them into the system, and place and position them as best as possible to maximize profit.

Foreseeable costs include compensation for temporary employee time spent in the initial step. Surplus should be running the warehouse as more of a business and less of a storage center and future wages for maintaining this system should be considered general operating costs instead of additional costs to this project. Also, the equipment cost for transporting recyclable and scrap products off of Surplus grounds would be considered continuous and operational.

Benefits include eliminating the need for a fence, saving \$2000-\$2500. Additional benefits include increasing Surplus products' value and sales volume. By getting rid of low quality products that customers do not want, Surplus will also increase their quality reputation.

IMPLEMENTING DATABASE

Implementing a database will significantly increase Waste Management's ability to focus on Surplus and alleviate the amount of clutter. The database will allow management as well as customers to know exactly what they have in store and on sale. This will help Surplus sell more

inventory, become better organized, and decrease inventory costs. Furthermore, linking the database with the University of Idaho's general inventory database will help Surplus and the University of Idaho keep track of the items that are being replaced or disposed of by departments.

This conclusion is based off of WSU Surplus's success with a functioning database. They are using a database that records all the items they have received and it is linked to the WSU property inventory database. By keeping track of their inventory, Surplus can better make decisions about how to price an item to increase sales and to reduce the amount of inventory. Through our research, we have found that WSU's database does not allow record keeping for each step in the process such as processing, testing, etc. WSU Surplus is pushing the university to invest in a database that allows them to keep track of what happens to each item within their warehouse.

We gathered from our interview with UI Surplus that they already bought a database from an Arizona university. That Arizona university developed the database and has managed to save money from the database. According to Jerry Martin, UI the recycling, surplus and solid waste supervisor, the database will increase annual sales by at least 25%. With current annual sales of roughly \$100,000, it will translate to \$25,000 a year in sales.

According to supervisor Martin, the main reason the database has not been implemented is that their technical person is currently doing manual labor due to a lack of human resources. This problem can be solved by hiring one more person to do manual labor at a lower pay, which frees up their technical person to implement the database. Alternatively, Surplus can put what the technical person is currently doing on hold so that the technical person can focus on implementing the database.

POLICY ENFORCEMENT

After touring Washington State University and University of Idaho surplus facilities, and conducting interviews with employees, it became apparent Surplus policy enforcement was being implemented at Washington State but not at Idaho.

At Washington State University, pick-up policies for office equipment were strictly enforced. Departments were required to place surplus office equipment out for Surplus to collect. If department surplus was found in waste facilities the recycling center would contact WSU surplus and inform them. Tracking tags are placed on WSU equipment to be able to track them back to the departments. By following this strict system and maintaining an open line of communication with WSU facilities, WSU surplus was able to acquire the inventory needed to run a successful program.

At the University of Idaho, the pick-up system for departments is not efficient. After conducting interviews with different departmental employees it was found that a considerable amount of surplus items were either given away to employees or thrown away. To make University of Idaho surplus efficient, the University must enforce pick-up policies and be able to track items back to departments. By following a model like WSU surplus, Idaho should be able to collect more inventory and streamline their surplus system. Such a system would also recycle items that would otherwise be thrown away.

PILOT MARKETING PROGRAM DESCRIPTION

The goal of the pilot marketing program is to increase student awareness about UI Surplus and sell more existing inventory. To begin this program it is essential that Surplus is organized and is able to visually attract customers. Currently Surplus is open one day a week. This process may be cost effective for the majority of the year but it would be beneficial to be open to the public for the entire first week of classes in the fall semester. To do so will require employees to be available to help assist and check out customers. Furthermore, prices of inventory may be marked down to a sale price to account for depreciation and to gather more public interest. Having a week long sale will help increase sales, which will help get rid of excess inventory and increase revenue. Surplus will also be able to increase student and department participation. In order to help with transportation, Surplus might also consider offering delivery to customers at a small charge.

There are many ways to market sales. To increase awareness we contacted Kelby Wilson from ASUI senate about getting the Campus Surplus Fall Sale information into the student planners. We noted that event names and dates need to be emailed to ASUI by May 1st of the spring prior to the sale. Besides using the student planners, sending out an email to all students would also help increase awareness.

Another marketing resource on campus is Vandal Solutions, a business club that specializes in marketing. Vandal Solution students can be hired to market this event through a flier distribution on campus to reach students within the first week of classes. Vandal Solutions charges \$500 to distribute 500 fliers in five days. Additional marketing support can be negotiated with this organization, including T-shirts and facebook advertisements. There are also many other clubs here on campus that would be willing to provide their services to help raise club funds. They would be able to set up showroom booths, answer questions and direct students to Surplus.

Many students are unaware of Surplus because its location is far away from the main campus. However, almost every student passes the bookstore during the first week of classes. Surplus can set up a showroom booth for the first week of classes in a 15.5 x 8 rectangle in front of the

bookstore for \$25 a day. Surplus could show a few examples of popular items such as desks, chairs, and file cabinets, along with their average prices. This would attract student attention and provide an opportunity for Surplus to give directions to the Surplus location, hand out fliers, and answer questions. Surplus can decide whether or not to sell items at this promotional event in front of the bookstore. If students can purchase items from this location, transportation of other replacement showroom items would need to be arranged. There are many other locations that showroom booths can be set up. Other high traffic opportunities include in front of the Commons and during Palousafest. A booth at Palousafest would cost \$30 and would be an opportunity for Surplus to reach many students who are new to campus. Finally, if marketing improved the traffic to the Surplus location, it might be wise to increase the hours purchases can be made.

LONG TERM RECOMMENDATIONS

HIRING EMPLOYEES

Keeping the current budget crisis in mind, we include ideas that require a larger amount of money as part of a long term plan. These recommendations can be budgeted at the University of Idaho's discretion. Overall, we recommend a general restructuring of the organization as retirement occurs. Currently, managers are doing much of the manual labor when lower paid workers can be hired to do the manual tasks. Because managers are overwhelmed with manual labor, they do not have time to focus on the more important management issues including the overall organizational profitability, and policy enforcement regarding the reuse of office equipment. Currently, Surplus' overall annual budget is approximately \$236,000 as of 2009 and they currently have six employees.

New employees can be hired to do much of the work currently performed by managers. For example, the head manager currently earns approximately \$53,000 including a 33% benefit package including workers' compensation. This means the head manager is currently performing manual labor at a rate of approximately \$25.50 dollars an hour assuming 2080 full-time equivalent hours per year. In comparison, an employee can be hired at around \$7.50 an hour with an additional \$2.47 an hour for a 33% benefit package.

Our recommendation is to hire two additional employees with the ability to lift at least 75 pounds. This will help managers focus on managing the overall organization while lower cost employees handle the manual work. The University of Idaho could either maintain the salaries of the six current employees at their current levels or consider revising those salaries when current management retires by decreasing the amount of manager positions. See Appendix A for the present structure, and a potential new structure. The new structure would not increase Surplus' annual budget over the current \$236,000.

PROVIDING TRANSPORTATION

Hiring additional employees will mean Surplus can provide the same service WSU provides to departments: Free transportation for larger items that are profitable for Surplus to sell. Surplus can borrow a van from Facilities in order to pick up used office equipment from departments. Currently, many departments are storing away items with even the slightest potential for future use in order to avoid having to pay City North America roughly \$90 an hour to move those items to Surplus. By providing a free moving service and not requiring departments to use a third party moving company like City North America, Surplus will eliminate much of the resistance from departments so that they will send more items of value to surplus. If departments are more willing to send items of value to Surplus, Surplus can potentially increase its sales and profitability.

APPENDIX A

Current Set up	Pay	Benefits	Total	
Recycling/surplus/solid waste	27,474.00	9,066.42	36,540.42	
Inventory Specialist	33,301.00	10,989.33	44,290.33	
Recycling/Solid Waste Lead	27,373.00	9,033.09	36,406.09	
Recycling/Solid Waste lead	24,856.00	8,202.48	33,058.48	
Overall Superior, Recycling Surplus	40,102.00	13,233.66	53,335.66	
Recycling/Solid Waste Lead	24,898.00	8,216.34	33,114.34	
			\$236,745.32	
Potential Structure				
Overall lead entire department	40,000.00	13,200.00	53,200.00	
Inventory/Surplus Lead	30,000.00	9,900.00	39,900.00	
Recycling /Solid Waste Lead	30,000.00	9,900.00	39,900.00	
Employee Base				
	1	15000.00	4950.00	19950.00
	2	15000.00	4950.00	19950.00
	3	15000.00	4950.00	19950.00
	4	15000.00	4950.00	19950.00
	5	15000.00	4950.00	19950.00
Total Labor cost				\$232,750.00
Remainder for Bonuses and Performance incentives				3,995.32