

Diana Mukitarian:

I am delighted to introduce Mr. Cole Stathes.

Cole Stathes:

Let me ask two questions to start off: who here would like to get a million dollar contract from NIH? Who here would like to get a thousand dollar award from NIH? I hope everybody raised their hand the second time. Anybody who didn't raise their hand the second time—shame on you. NIH—the 'I' stands for? Institutes with an "s". What are we up to, 27 Diana? Oh, she's gone. 27 institutes. I'm not just mentioning this for the bureaucratic import, or lack of import on this. I mention this for an important reason. NIH is different from some other government agencies you might be familiar with. There are other departments within the government where you can go to a big room and there's a couple of people sitting behind big desks and all you have to do is get up and get to know those two or three or four people and then you're "In like Flynn" for that agency. We're not that way. We have so many institutes: each institute has gotten its own budget from Congress, has its own mission, has several dozen—a hundred labs—within each institute; they all have purchasing offices that support that particular group; many of our labs are no bigger than this room; you've got a support office and a purchasing office for that group; lots of decentralized purchasing at NIH, particularly for the lower dollar orders. Makes a big job for you all, as far as marketing. I'll get into a little bit of that in a while. But it also gives you a lot of opportunity. I hope none of you will turn down your noses at the small dollar orders, because that's a lot of what NIH is all about.

I only have two slides and I'll get into those in a second. What I'm going to talk about for a few minutes is simplified acquisition, and particularly going to focus on two programs—the purchase card program and the blanket purchase agreement, or BPA program. Let me just give you a little history, real quick, about NIH purchasing and how it's changed—make it easier for us and more opportunities for you. 20-some years ago, when I first came to NIH, purchasing was a nightmare for anything. You've heard Diana and other speakers talk about FedBizOpps and putting requirements out for bid. In the old days you pretty much had to do that even for a piddley little order, and it was really quite ridiculous. If I needed a widget that I knew was going to cost about a thousand bucks, believe it or not in the old days I might have to advertise that and wait 45 days for proposals to come in and then I'd have to convene a review panel and go over all the proposals that were submitted, and what would end up happening? I've gone through all this mess and she ends up bidding \$1,000 dollars, this gentleman bids \$980, that gentleman bids \$1,010, so what did I really end-up saving out of all of that? Very little, right? And even though I'm grossly underpaid it was still quite a waste of your taxpayer's money. So we moaned and groaned about this for a long time. Finally in the mid-90's Congress heard us and did some major changes to federal procurement law—created a whole concept of what was known as "simplified acquisition." Please notice I said "simplified", I didn't say "simple." [chuckles] Nothing in the government is completely simple, but it is a lot easier than it used to be. I'm going to focus on two concepts that really are, I think, going to be important to many of you as you try to do your marketing at NIH or, really, throughout the whole federal government.

In the mid-90's Congress created a concept known as "Micro-purchases." Don't forget when I talked about the difficulty in buying anything at NIH in the old days? All the hoops you had to jump through? Congress realized it was really quite ridiculous, they said, "It's got to be easier to buy the smaller dollar items and services." Came up with a concept of micro-purchases. Micro-purchase in the federal government is anything below \$2,500. So my example a minute ago of buying a widget that's going to cost about \$1,000, is that a micro-purchase? Right. Congress said, "We've got to make this easier to do." Now, at any time I always have the option of going the full blown way—putting it out for bid, doing it as a big contract, which Jim will talk about later. But, typically, I'm not going to do my micro-purchases that way. If I'm your average purchasing agent at NIH, I've got 50 orders stacked up on my desk that I need to get moving—get them out.

Micro-purchase—very few requirements. They've made it a lot easier. Let me just quickly mention the second category, micro-purchases is what? Under \$2,500. There's another—the next category up, which is also in the range of simplified acquisition—doesn't have a catchy name like micro-purchases. I just kind of informally call it "level 2." That's not an official name, but let's just use level 2 for the purposes of today's meeting. Those orders are between \$2,500 and \$25,000—again, a lot of orders fall in this range and I'll show that on the screen in just a second. Level 2 orders are also part of simplified acquisition—little bit more involved than micro-purchases, but not necessarily a whole lot. Here again, if I don't want to I don't have to put a level 2 order out for general bid. I don't have to put it out in the FedBizOpps or contact 25 people or have a review panel. On a level 2 order between \$2,500 and \$25,000 I can satisfy my competition requirements, in most cases, by contacting 3 vendors. OK? So, I contact this lady, this gentleman, and this gentleman. Here again, I'm getting—I need approximately \$5,000 worth of blue widgets. I know all three of these folks sell lab supplies. They've been by my office—I know them, I've dealt with them in the past. I need approximately 10 cases of blue widgets, which I feel will come up to about \$5,000. Let's say price is my only criteria in this example. I can call these three folks up on the phone, ask them to fax me a quote by 3 o'clock this afternoon. 3 o'clock comes, I've got three quotes on my desk. Price is the only criteria. She quotes me \$5,000 on the nose. He quotes \$5,100. This gentleman quotes \$4,900. Who gets the award? You got the award, congratulations. Easy enough. You call me again—you're still fussing with me. You're still fussing with me, "Cole, I didn't even have a chance to bid on that. You never called me." I have great blue widgets. What do I say to you? Better luck next time. The whole point of simplified is not—is for me not to have to put a general announcement out. I've got competition. These three folks—when I called them I made it clear that I'm calling three people, that have to give me a good bid. You weren't the only person I called. Obviously of course, there again, I had to make sure it was a fair and reasonable price, but competition being the great thing that it is certainly helped me to determine that.

Let's say there's one more criteria now. Let me add another thing to the pot. I need, my scientist I'm working for, just has to have these blue widgets by tomorrow for his experiments, so now I've got two criteria. I need approximately \$5,000 worth of widgets,

but I've got to have them delivered by 2 o'clock tomorrow afternoon. This lady quotes \$5,000 again and she'll have them here by noon tomorrow. This gentleman quotes \$5,100 again and he'll have them here by noon tomorrow. This gentleman quotes \$4,900 and he'll have them here by noon on Monday. Who gets the award? You get the award, congratulations. Low price, but did he meet my requirements? No. Of the three people I called, was there someone who met my requirements? Actually two of them. Do I have to call my friend over here? Don't have to do it. I do want—one important difference with these level 2 orders is there is a set-aside for small business on level 2. So, that will certainly help you small business people. Micro-purchases, there is no preference for small business. There is at this next level up.

Just to give you an idea of the number of orders. We have so many groups placing orders. As you can see, last fiscal year—fiscal year 2002—there's two ways you can order. I won't get into the differences right this second, but adding these two up you can see there were over 400,000 simplified acquisition orders at NIH last year. Average order was about \$900 or \$1,000. Lots of little buys being done. This is why I want to emphasize again to you folks, you know—the million dollar contracts are terrific. But you know what they say about little babies? You've got to crawl before you walk, walk before you run. The best way to get exposure to NIH to a lot of the different labs and offices—get some of these small orders. Especially if people don't know you—if you're new to NIH, we don't know you. As good as your products are, as good as your services are, you're probably not the only person selling whatever it is you sell—am I right? Which means I don't have to go to you. Don't want that to sound downers or negative, but—competition, there again. You sell blue widgets, that's terrific. I'm sure you think your blue widgets are the greatest thing in the world—yes ma'am. But he sells blue widgets too, and so does he and so does he. What you have to make us want to do is call you when we're calling for those quotes. Micro-purchase—I only have to call one person. Level 2—I only have to call three. I don't know you if you haven't been by to market. Let me be aware that you exist and that you sell those fabulous blue widgets. You're not going to see my order in the FedBizOpps, most likely, at that dollar level. Yes sir?

Q: I guess, I'm still kind of confused with regards to—both in the case of micro-purchases and level 2 purchases, and I guess what you call single source—

Cole Stathes:
Sole-source.

Q: —sole-source—

Cole Stathes:
Mmm, hmmm [in affirmation]

Q: —contracting. How do we go about—do we go about contacting the appropriate person or—I guess I don't understand the mechanism that gives exposure to the right people.

Cole Stathes:

OK, this—the question was—that's right. The question was, the gentleman had some confusion about micro-purchases, level 2 purchases, sole-source, cases where the award is not generally announced.

Q: Right.

Cole Stathes:

Or the proposal is not generally announced. How you would find that out. This is where your marketing is essential. I'm going to talk for a few minutes about BPAs. Our BPA is our listing of preferred vendors for the micro-purchases and the level 2 purchases. That's why it's very important for you to consider having a BPA, and I'll talk about that in a second. Otherwise, sir, it's just important to get your face out there. I can tell you at the simplified acquisition level, there are very few companies that do well at NIH without a physical presence—a marketing effort. We're doing 400,000+ simplified acquisition orders every year at NIH.

Q: And that marketing effort is actually to the project officer?

Cole Stathes:

It can—well, there's two communities. You've got a purchasing community; these are folks—we have about 300-some people who do purchasing for a living. That's what they do. They're the folks with the 50 orders on their desk that they have to get out by Friday. You also have a project community; these are your end users. These might be—let's say you sell scientific supplies. These are your potential users. These—this is Dr. Smith and Dr. Jones and technician Brown. These are folks that will actually be using the widgets. They're the ones who generate the demand. Dr. Jones, in a lab, will kind of come in, let's say on a Monday morning, kind of plan in his mind what that lab is going to be doing for the week. He thinks, "Oh, I'm going to need 3 boxes of beakers, and 2 boxes of pipettes, and a widget and a centrifuge," and then he goes to his purchasing office and says, "Get me this. This is what I need." So, you need to meet with both communities. It's a lot. I think I've met with you, haven't I?

Q: We've talked before.

Cole Stathes:

We've talked before, OK. I jokingly say to folks—I kind of look at their feet sometimes and say, "Get your comfortable shoes on and just get out there and hustle." It's a job for those of you who are young and strong and this is a young and strong crowd. And sales at NIH is not for the squeamish, I guess you could say. Your competition is out there right now pounding the halls. It's a physical effort at NIH—you've got to get to know these people who are placing the orders. We do so many simplified acquisition orders and I don't have to call every one of you for those orders. Yes sir?

Q: So , you're saying that there's a separate simplified purchasing agent in each one of these—in each agency there and basically you can call them up and get an appointment with them...[inaudible audio]

Cole Stathes:

There's several—I'm sorry, repeat the question, yes. He was asking how—if it's a good idea to call the purchasing agents and set up an appointment, very good way to do it. Calling on them, we have a lot of sales reps who find it beneficial just to walk around. Go to our parking office in the main campus, I don't know if Diana has talked about this or not, getting your ID, they'll take your picture and give you a photo ID. You're free to walk around the buildings then. Meet these folks. I don't recommend mass emailings. I don't believe Diana will either. I come in every morning and I have a hundred emails and most of them are advertising and stuff and I just delete them. I don't read them. Come by and see me. Yes sir?

Q: [inaudible audio]

Cole Stathes:

No question. Now look, personal drop-ins, you know—sales is tough. I've been in direct purchasing in years past. There were many day where I was very pleasant and nice to the first eight sales reps who came by [laughter], and then she was number nine and she got on my nerves. Don't take it personal. I just have work to do. But the fact that she came by—maybe she dropped off her card, dropped off a little brochure, a line card telling me what she sold; told me she had a BPA; she took a government credit card—all those great things so the next time when I needed to buy something it stuck in my mind, “Oh this lady from XYZ company, she sells widgets.” She might at least be one of the three people I call. Doesn't mean she's going to get the award. At least she had a chance. This gentleman never came by to see me. All he did was fuss at me behind my back and cursed me out because I never called him, but I didn't know he existed.

You'll be asked two questions as you do your marketing at NIH: “Do you have a BPA?” and “Do you accept a government credit card?” Let me take them in reverse order. More and more we are switching over to making our small purchases through the government purchase card. It is a Visa card. I think you all are used to the term credit card. We call it a purchase card, because it's not really a credit situation. You're paid right away. But it is a Visa card just like the one you have in your pocket book or in your wallet. We have over 2,000 people at NIH now who have the government purchase card. Anyone here accept the government credit card? Those few of you who do not, I word this carefully, it's not mandatory that you accept the government credit card, however I will tell you very honestly if you do not, you will cut yourself out of a lot of opportunity. I suggest that you contact several banks—you will pay a fee, by the way. You have to enter into a private agreement with your bank. You, meaning your company. We don't get directly involved with that. Your bank will charge you a fee. I'm not even sure what the current fee is, 2-3% bank charge?

Q: It depends upon your deposit.

Cole Stathes:

It depends upon your deposit?

Q: Yes.

Cole Stathes:

I've actually heard—just this last month I heard for the first time that there's at least a couple of banks in the area that will charge you a lower fee for government credit cards. Anyone aware of that? In other words, instead of 2-3% they might only charge you 1-2%. I would suggest that you call a couple of banks. They all have different fee structures, different deposit requirements. I strongly urge you guys, accept the government credit card. Yes ma'am?

Q: I have a question. If you're a company that provides services—

Cole Stathes:

Mmm, hmmm [in affirmation].

Q: —let's say software services—

Cole Stathes:

Uh huh [in affirmation].

Q: —which means you don't have software that you sell—

Cole Stathes:

OK.

Q: —are you under this credit card agreement?

Cole Stathes:

The lady asked about, if she provides a service rather than selling a supply is she under credit card program? Yes. Our people who are authorized to have credit cards can buy services as well as supplies with the credit card. Yes.

Q: [inaudible audio]

Cole Stathes:

I beg your pardon?

Q: Is a government credit card any different than—

Cole Stathes:

Is the government credit card any different than any other credit card? Not particularly, no. It's a Visa card. And the good thing about it, too, from your prospective—you get

paid right away. Merchants like credit card orders, as I understand. Instead of waiting 30 to 45 days for the non-credit card orders, you will get paid within a week. Sir?

Q: The limits on the cards tend to vary—

Cole Stathes:

What are the limits for our cardholders? Yes, their limits vary. We have a number of cardholders who can only buy micro-purchases with their credit cards. So that would be up to \$2,500. We have other people, particularly those who do purchasing for a living, who can buy as much as \$100,000 per order on their credit card. So it does vary. Yes sir?

Q: You stated that marketing is very important...[inaudible audio]

Cole Stathes:

The gentleman asked if marketing is important? Is that your question?

Q: Yes.

Cole Stathes:

I can't emphasize it enough.

Q: Great. My name is Alan Meadows [spelled phonetically].

Cole Stathes:

Alan, pleased to meet you [laughter]. Let me give you my card, too. A smile for the camera here.

Q: Alright, thank you.

[laughter]

Cole Stathes:

Alright. You know what? If I need office furniture I've got someone's card. That's good. Took the opportunity. Yes sir?

Q: Is there a way that we can find a list of the p-card holders?...[inaudible audio]

Cole Stathes:

Call our purchase card office. I'll give you that number: 301-435-6606. Is it mentioned in there too, Diana? OK. I'm sorry. 301-435-6606. And Diana just reminded me, and I should've known this, that's it's in the booklet. I did write. I couldn't remember if I'd put the number in there or not, Diana.

Q: What is this number for?

Cole Stathes:

This is for our purchase card office, for a list of the purchase cardholders. Other question I said you'd be asked is, "Do you have a BPA--Blanket Purchase Agreement?" I've talked to a few of you—who have a BPA already with us? Yeah, I think I met with you. OK, a couple of you. It's usually a few. Blanket Purchase Agreement—what that is—for simplified acquisition, we're interested in a couple of things. Obviously we want a quick, easy way to order. We do so many orders at this dollar level. We also want the best price and the best discounts we can get, obviously. It's where our BPA comes in. With a BPA, that means that you would have met with either me or someone on my staff, we talked turkey with you, negotiate the best prices and discounts we can get, and then if we come to an agreement we would issue you a Blanket Purchase Agreement, BPA. Kind of like a GSA schedule, in one sense. It's an agreement, it's not a contract. It doesn't guarantee you one dollar's-worth of orders. But with a BPA it puts you in our pool of preferred vendors. I need widgets, let's say for example, I'm going to probably go to my BPA listing, see who sells lab supplies—let's say I've got 20 companies that sell lab supplies who have BPAs. I'm probably going to confine my competition to those people who have BPAs. I don't have to, but I probably am. So if you're not on that list of 20 people that have BPAs for lab supplies you're probably not even going to get called. And what did I say about having to call everyone? I don't have to. I don't have to do it. Even if you have a BPA I wouldn't necessarily call everyone—as I said, I only have to call 3 people. Yes ma'am?

Q: I have a question. If you have a BPA, do you have to be on the GSA schedule?

Cole Stathes:

No. She asked if you have to have a GSA schedule in order to have a BPA. Not necessarily, no. If you have a GSA schedule it makes it a little easier, because then GSA has already—I use the phrase, they've already beaten you up once to get the best prices and discounts, and in most cases we can tie our BPA in with the prices that GSA's already negotiated.

Q: And if you have a GSA schedule, does this mean that you don't negotiate for the BPA, you just get the same off of the—

Cole Stathes:

We'd probably—she asked about negotiating if you already have a GSA schedule. We would probably start the BPA off with the prices and discounts that GSA's already negotiated. We do of course reserve the right to go after you for even better prices, particularly if you end up selling a lot to us. If you don't have a GSA schedule and you want to apply for BPA, that's fine too. It just means that we would then have to kind of get down in the mud with you a little bit and get the best prices and discounts that we can get from you. We would then issue you an agreement. You would have agreed to—that if we ever actually placed an order with you, you would not go above the price that we had agreed to. You can always go below it, but you can't go above it and then it's a question of marketing. Yes sir?

Q: Does one have to have an established business practice with the NIH to get a BPA or can one just waltz in...[inaudible audio]?

Cole Stathes:

The question—the gentleman asked if he had to have an established business practice with NIH in order to get a BPA, or if he could just come in. There's two things we're going to look for when we consider someone for BPA, sir. One is obviously the best prices and discounts we can get. The second one is just—is little more nebulous, it's almost—it's hard to define. I like to get a sense, sir, that if I give you a BPA that it's actually going to be used. We've had great success with our BPA program. We have one of the most successful BPA programs in the federal government in NIH. We have about 800 vendors now, selling all kind of items. Not everything in the world, but many things. The few disappointments that we've had, sir—and this answers your question directly—have been those few people who would get a BPA, offer us—at least on paper—great prices and discounts and then they sit by the telephone and they wait for it to ring. Like trying to get a date on Saturday night, you know, if you just wait by the phone? You've got to make it happen guys. BPA will put you in our pool of preferred vendors but there's other people selling what you sell on our BPA list too. You've got to get out there—make it work. When I meet with you I'm going to ask you, "Have you had any exposure with NIH?" If you can—let me get back a little bit. Remember I said I want to get some kind of a feel of commitment on your part that you're serious about NIH as an account. You don't just want NIH to be on your resume because it looks good. OK? Because if we go to all the trouble of negotiating prices and you get a BPA and then a year from now I review your account and no one's done any business, then sir you've wasted my time and yours. Now if you can show me that you've done business with NIH, that's terrific, because then obviously you have—I don't want to say a built in customer base, but you certainly have people who are familiar with you, who have used you in the past, and unless you really screwed up they're probably going to consider you for their future orders. If you can show me that Dr. Jones has said, "Gee, I'd like to deal with you Jim if only you had a BPA,"—because that's the easiest way for us to order from you. Or just some kind of commitment. If you can tell me, "Cole, I'm going to be the one doing marketing. I plan to be at NIH every Thursday." I want some feel, in other words, that you're serious about NIH as an account. My friend here already made one exposure to me already. He's serious about NIH as an account. He's good. He's ready to go. And see, he's willing to—when beating him up for best prices I know he's going to give them to me.

Q: You got it.

Cole Stathes:

Alright. Yes sir?

Q: I have a question. We all work for the same company and we sell furniture, and occasionally at NIH we'll get a call from someone, we'll give them a price on furniture, and they'll call us back and say, "Oh, I'm sorry I have to get this furniture from UniCore—

Cole Stathes:
Yeah.

Q: How can you get around that?

Cole Stathes:
UniCore—this gentleman was talking about buying furniture. There are a couple areas in the government where there is an extra kicker involved when it comes to competition. One of the toughest is furniture, sir—I'm running behind and I don't want to spend a lot of time on it—Diana is going to through me off the stage in a second here. The government, a number of years ago, set up a program. It's called the Federal Prison Industries. I'm not really telling you this, I'm telling the audience this. The government decided many years ago that we had all these prisoners in federal prisons who were just sitting there serving out their time, and then usually when they got out they had no skills and they would frequently end up back in jail. So the thinking was, "Let's give these guys a skill." So, many federal prisoners are taught the skill of cabinet making, carpentry, furniture making. So that when they come out, if they get out, they can have a skill. And the flip-side of that was that we are required to try to get our furniture from the federal prison industries, which is also known as UniCore. So sir, you do have a tough road in that. If I need a desk I am supposed to go to see if Unicore can buy that—can supply that to me first, and only if they can't am I supposed to try to go out in the market. You've got a tough job. You've got one of the toughest things to do in the government. Yes sir?

Q: [inaudible audio]

Cole Stathes:
BPA—he asked if BPAs are for individual institutes. No, my office is one of the few groups that is not—it's the same as Diana's office. We're not part of one institute. We serve all of NIH. If we give you a BPA, it will be for all of NIH, not just one part. Anyone at NIH uses our BPAs—they're using it for the great majority of those 400,000 orders that you see. We don't have any special times during the year when we consider new BPA vendors. We consider new accounts all the time. Please give our office a shout if you'd like to talk further about possibly getting a BPA. I'll get a couple quick questions—

Q: [inaudible audio]...is there any limit to the number of people you'll set up on a BPA?

Cole Stathes:
The gentleman asked, if you have several people selling the same product from the same manufacturer would we have a limit? Not necessarily, no. I don't mind having 10 or 20 people who all sell—I don't want to use a brand name, but let's say XYZ products. No, I have no problem with that. The difficulty is because there are other people selling, I know what the ballpark figure has got to be, so you've got to quote me a good price. If

you're out in left field somewhere I certainly know that other people sell it at a better price. Yes ma'am.

Q: One the micro-purchases for level 2, is there a maximum number of purchases you can make from one vendor?

Cole Stathes:

You can do as much—the lady asked about how many orders can you do—can one vendor do? We have companies on our BPA who do several million dollars a year—average order might be \$1,000. We do encourage rotation of sources, but a good, aggressive vendor with a good marketing campaign, ma'am, can get a lot of business. I hope you all will consider our programs and thank you very much.

(applause)