

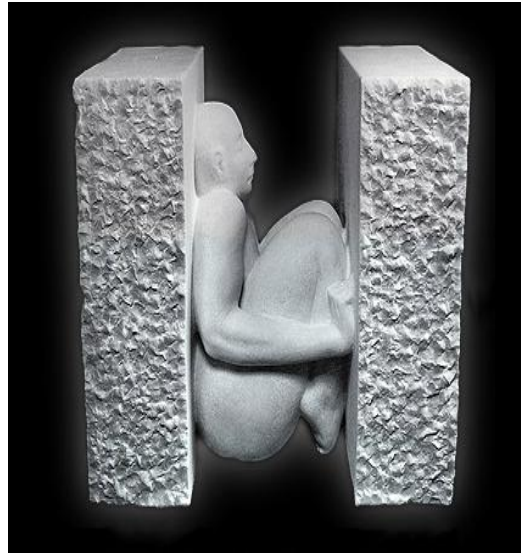


*Achieving cost efficiencies and reducing risk exposure through  
total Supply Management*

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*Supply Chain Management and Logistics in a  
volatile global economy*

Declan Kearney, CEO  
Supplierforce

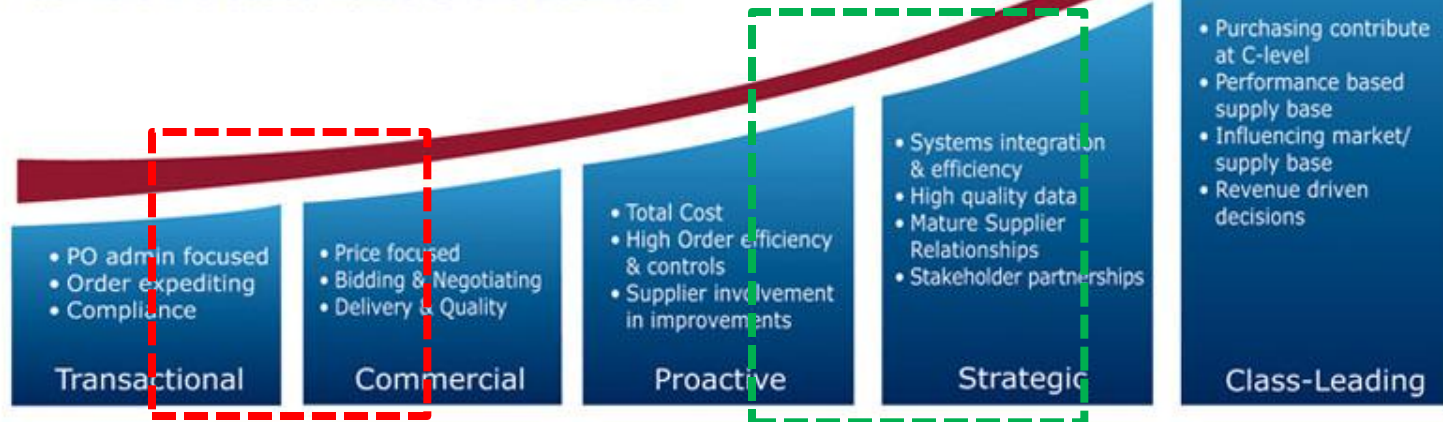


- Supply Management within SCM
- Procurement Value & Trends
- Strategic sourcing
- Supplier Relationship Management (SRM)
- The role of technology
- Cloud Computing – another term or something real?
- Dynamic risk management – beyond database searches

- 'Purchasing'– 'Procurement' – 'Supply Management'
- **"Supply Management** incorporates the complete range of methods, services and technology regarding the procurement of goods and services and management of suppliers and internal stakeholders"
- Increasingly elevated function / **"CPO"** recognition by leading organisations
- Strategic heads of procurement: **Chief "Risk" Officer**
- Current economy provides the **opportunity for change** – leading Supply Management/ Procurement professionals are leveraging their roles to make a real impact on the bottom line

## Strategic Procurement's Value Contribution Curve

Improving Procurement Capability  
delivers increased Value to the Business

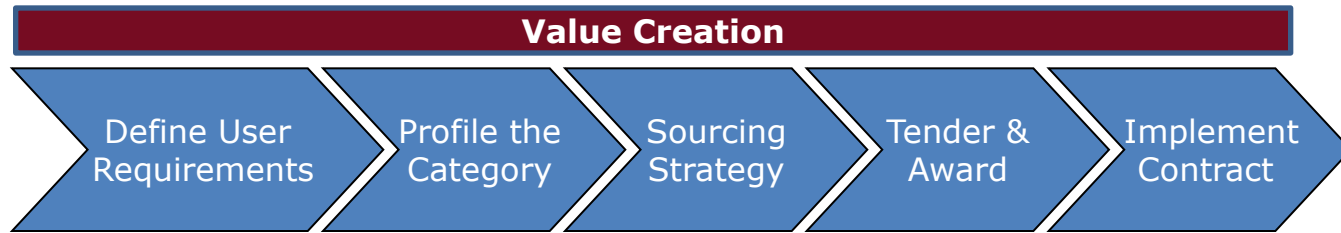


Procurement Capability Continuum

Value



- Elevation of the role of the function
- Administrative vs strategic focus
- Changed sourcing landscape/ buyer's market vs supplier's market
- The margin impact of supplier spend is highlighted
- Procurement playing a key role in sustaining business benefits
- Procurement's expanding influence on spend
  - engagement with internal customers
- "Competitive survival" to "Competitive advantage"



**Step 1:** Development of Specifications

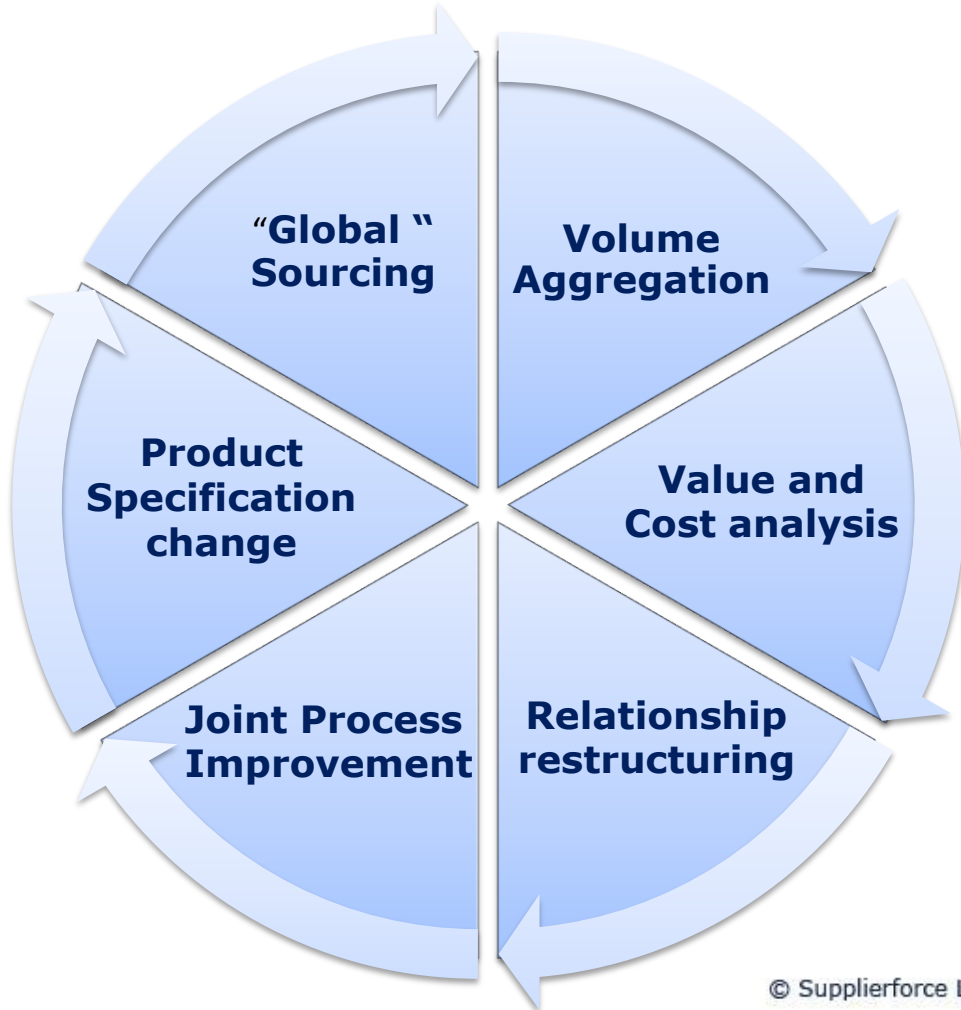
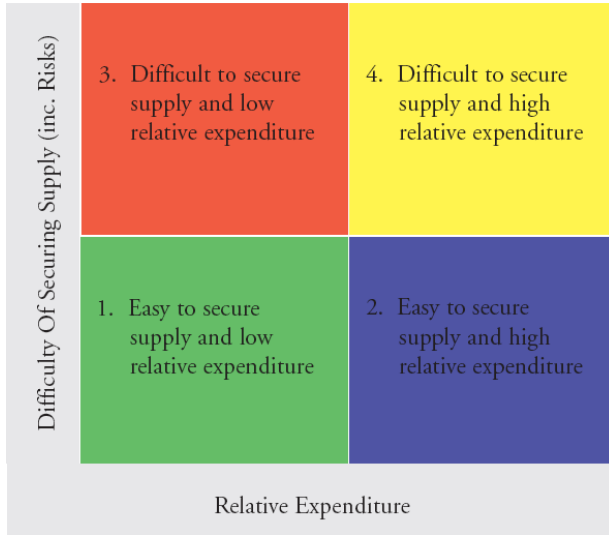
**Step 2:** Conduct Market Assessment & Tender Strategy

**Step 3:** Source identification & Tender documentation preparation & submission

**Step 4:** Supplier tender evaluation

**Step 5:** Tender Award and supplier debriefing


**Step 6:** Agreement and implementation of Contract and Service Level Agreement(s)





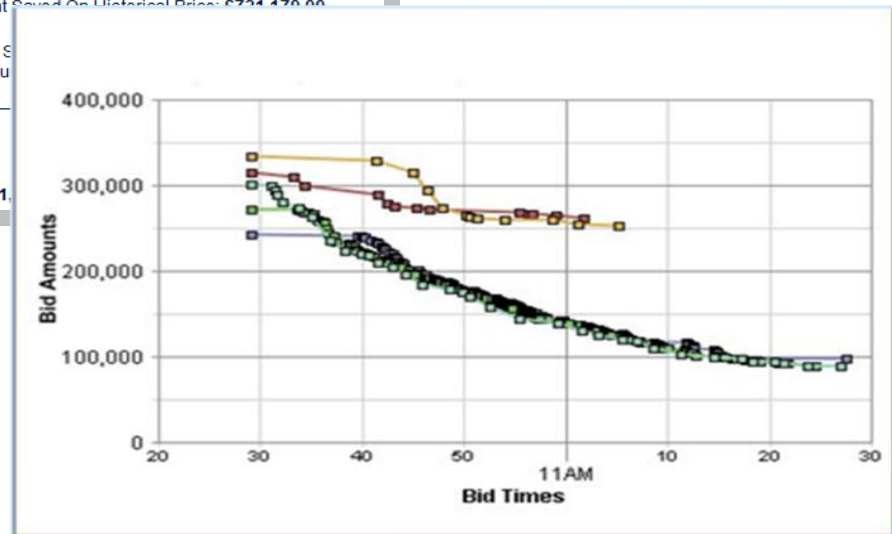
| Event Summary        |                               |                  |            |            |
|----------------------|-------------------------------|------------------|------------|------------|
| Lot Title            | Type                          | Auction Lot Date | Start Time | End Time   |
| Recruitment Services | Single Price Hidden - Reverse | 15/07/2009       | 10:00:00AM | 10:30:00AM |

[Display Line Graph](#) | [Show All Bids From All Suppliers](#)

**The Auction Has Ended.**  [Download Auction report here!](#)

| Bidding Summary                                | Savings   |
|--|---|
| The Leading Bid Was: <b>£1,212,016.00</b>      | Percentage Saving On Historical Price: <b>37.31%</b>          |
| The Leading Supplier Was: <input type="text"/> | Absolute Amount Saved On Historical Price: <b>£724,479.00</b> |
| Total No. Of Bids Received: <b>41</b>          | Percentage Saved: <input type="text"/>                        |
| Auction Lot Extended: <b>0 time(s)</b>         | Absolute Amount Saved: <input type="text"/>                   |

| Supplier Bids                       |                              |
|-------------------------------------|------------------------------|
| Last Bid From: <input type="text"/> | Amount: <b>£1,212,016.00</b> |



- Strong specification
- Supplier Qualification:
  - Only invite capable suppliers to the auction
  - Possible PQQ or RFQ/ITT to create shortlist
- Clearly defined award strategy
- Lotting strategy
- Train suppliers & manage relationships
- Maintain an ethical and transparent approach

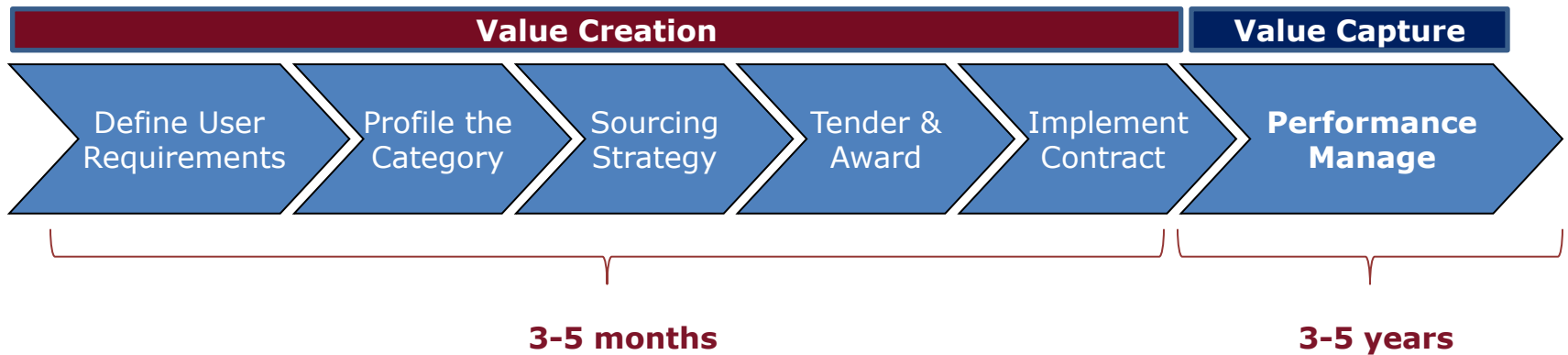
|                  |              | Max Points | Vendor A     | Vendor B     | Vendor C     |
|------------------|--------------|------------|--------------|--------------|--------------|
| <b>Non Price</b> | Quality      | 25         | 22           | 20           | 21           |
|                  | Service      | 25         | 21           | 23           | 20           |
|                  | Delivery     | 10         | 8            | 7            | 7            |
|                  |              | <u>60</u>  | <u>51</u>    | <u>50</u>    | <u>48</u>    |
| <b>Price</b>     |              |            | € 10,000     | € 9,900      | € 9,800      |
|                  |              | 40         | 39.20        | 39.60        | 40.00        |
|                  | <b>Total</b> | <u>100</u> | <u>90.20</u> | <u>89.60</u> | <u>88.00</u> |

Rank:

1

2

3



**REALISING THE VALUE** 

**Supplier Relationship Management** is the collaborative management of suppliers driving visibility, compliance, operational and cost efficiencies for mutual business benefit



*"At the heart of relationship management is the need for facts, data and objective guiding principles"*  
- CPO Agenda

- **Past 4 years:** role reversal between CRM & SRM – key to financial stability and competitiveness sustainability is to ensure that current market opportunities are availed of & sustained



**Number of Suppliers (%)**

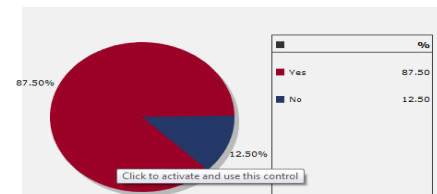


**Business Type Breakdown**

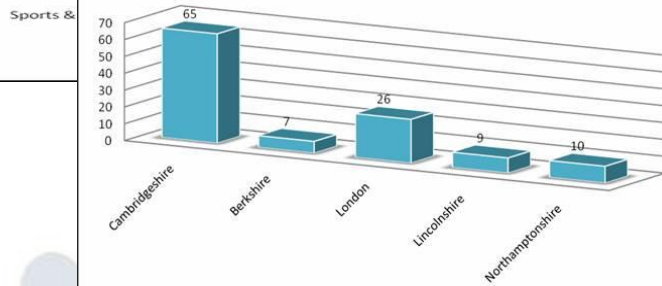


**Audit Question Analysis**

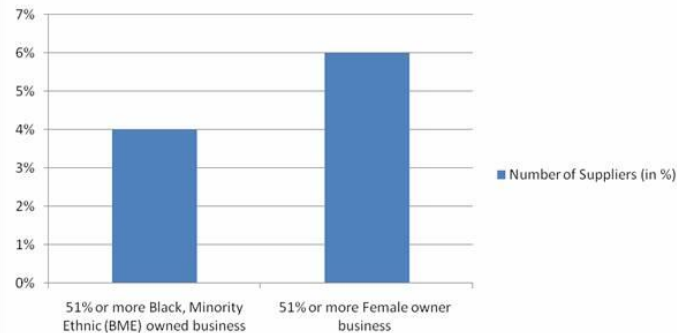
Question 2: Is there a HACCP system in place?



**Supplier Location**

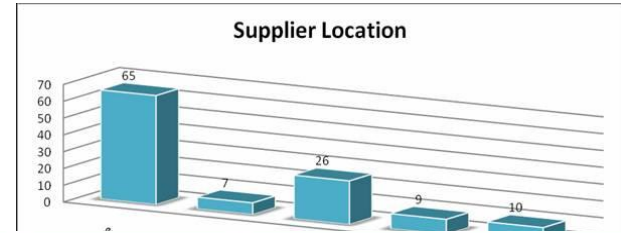


**Supplier Diversity**

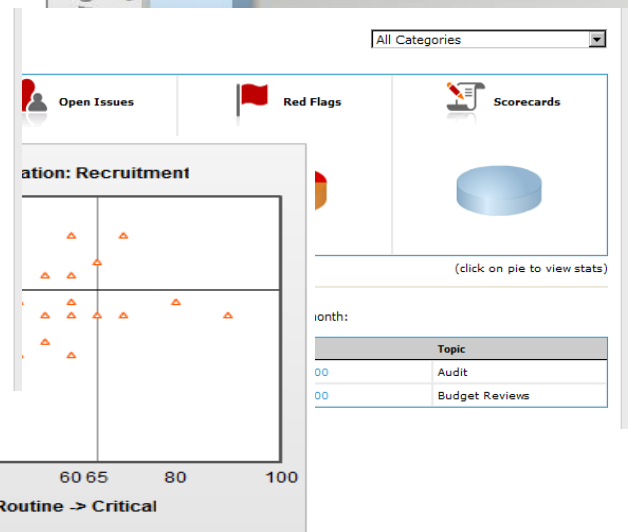
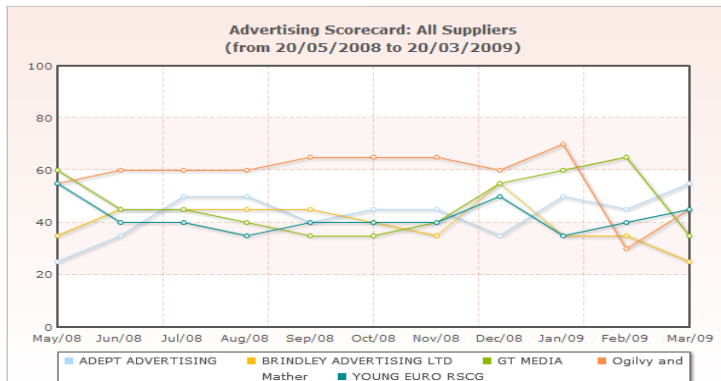
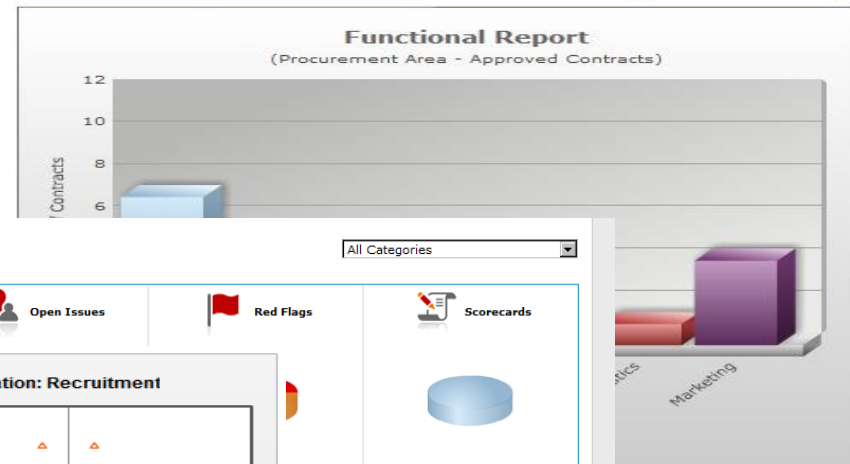


**S  
R  
M**

- Supplier Information Management
- Contract
- Performance
- Risk
- Collaboration (NPD, joint process improvements...)
- Executive visibility



Search    Expiring    **Function**    Horizon



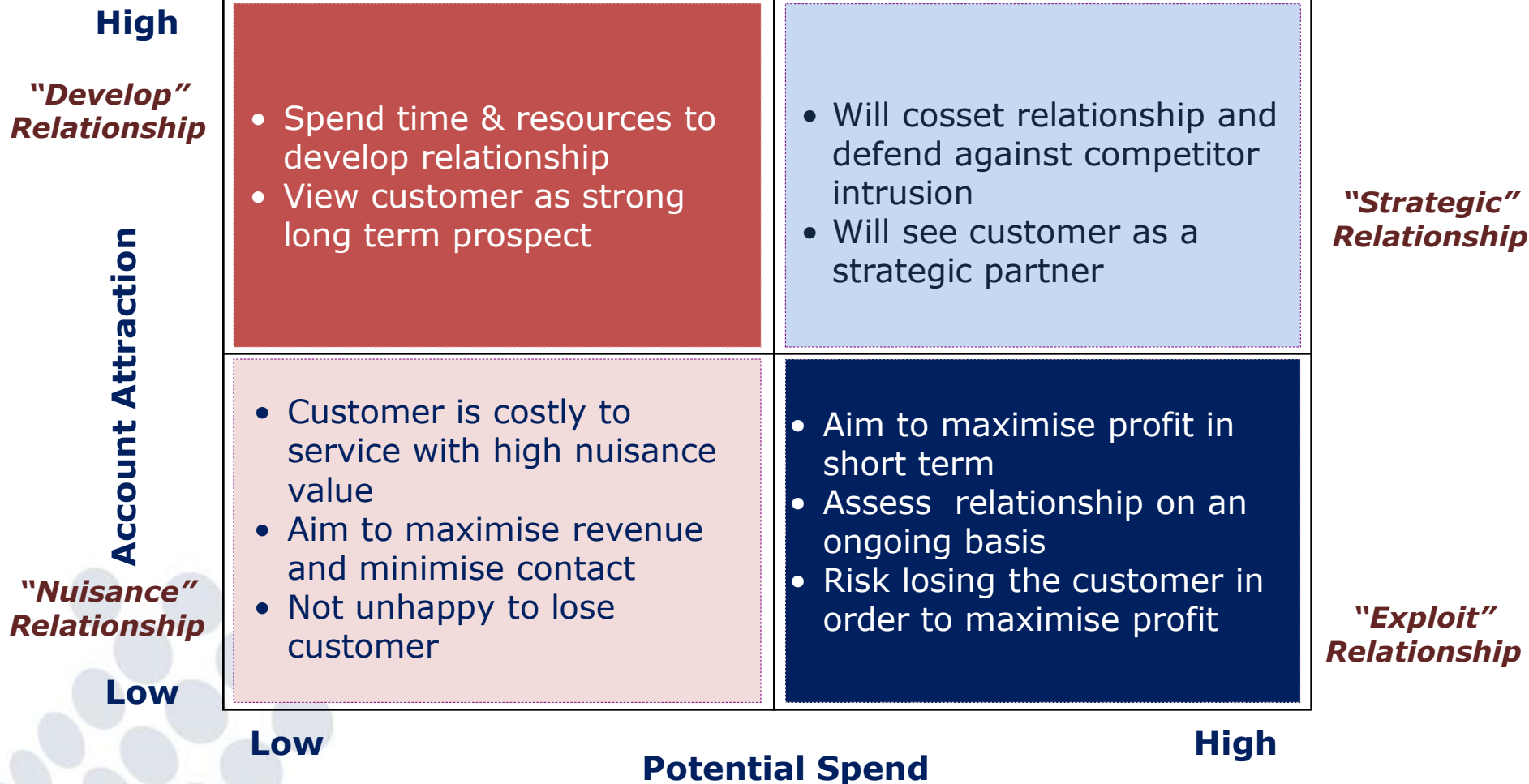
All Categories

Open Issues    Red Flags    Scorecards

(click on pie to view stats)

Month:

| Topic             |
|-------------------|
| 00 Audit          |
| 00 Budget Reviews |





# BUSINESS VALUE OF SRM: Better buying or better relationship management?



Any initiative involving strategic suppliers clearly needs to be underpinned by these hard financial drivers, together with a compelling business case and defined return on investment.

Figure 3 Cost down and value up potential with strategic suppliers



Future value up potential is a staggering 23% across multiple factors. Applying this statistic to the cost base of survey respondents gives a (conservative) estimate of the potential benefits.

Figure 4 Huge potential for value maximisation with strategic suppliers



Note: these are extracted from an aviate map containing detailed descriptors of supplier value

emergency, 47% of respondents identified improving product or service quality, 75% cutting waste and simplifying operations and 69% developing highly innovative products and services.

In the public sector, a bracket of 10% of respondents identified, with the top three (49%), the difficulties in receiving substantial increases in financial and cost savings targets (41%). Cost savings targets, value for money financial drivers and operating budget reduction were then identified as delivery challenges. Taxpayers were then identified as the number one financial driver in the public sector. In the private sector, shareholder value driver in the public sector were then identified as savings (86%), Treasury/centrally mandated budget reductions (77%), meeting Audit Commission guidelines and standards (74%) and imposed cost savings targets for procurement (69%).

**Average 3 – 5.5% cost reduction**

**Effective SRM: 23% increase in financial value**

The hugely compelling business case around financial value

Survey respondents were drawn from all business sectors, functions, roles and countries. There was tremendous clarity with regard to their financial assessment of the future potential for value maximisation with strategic suppliers. This is highlighted in Figure 3, where a €413 billion summarised around four or annual supplier expenditure.

The starting point was a clear annual cost reduction target of 5% and the majority of respondents remained high and challenging when the survey went beyond the value currently being obtained from strategic suppliers into the additional value that organisations really concern themselves with. The average of the value map rapidly increased into the additional value that organisations really concern themselves with. The clearly far outstripping cost of organisational challenge of

**Key areas of financial value:**

**Improved product quality**

**Speed to market**

**Improved service levels**

**Reduction in supply dependency**

**Increased innovation**

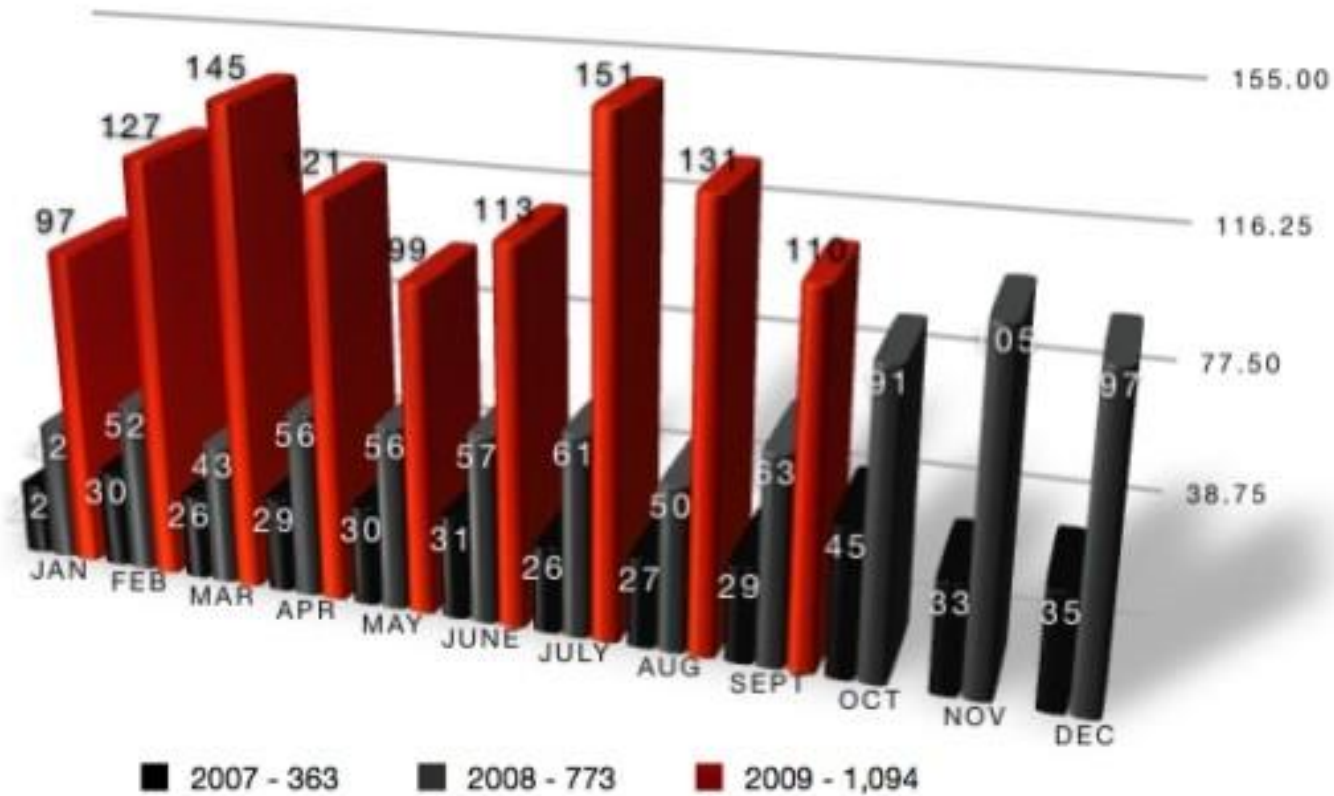
**Do you have a clear and effective segmentation and performance management strategy for positioning and measuring your suppliers?**



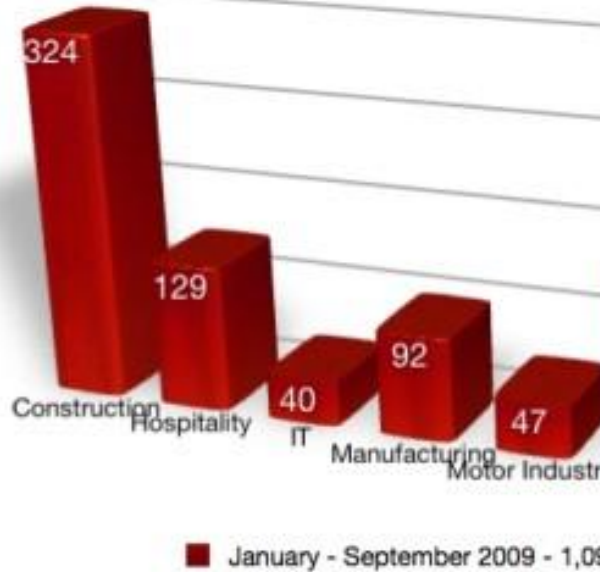
“I’m aware of the issue but I’ve got it covered...”



**Total Insolvencies Comparison 07/08/09**

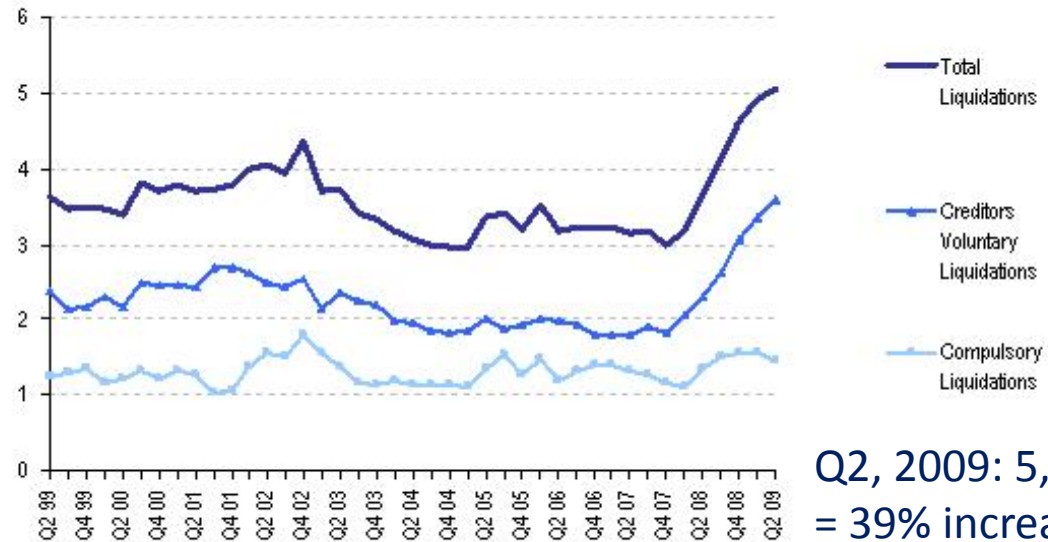


**Total Insolvencies by Industry January to September 2009**



**Figure 1. Company Liquidations in England & Wales**

Thousands, seasonally adjusted



Source: Insolvency Service and Companies House

- **RISK:** Probability or threat of a negative occurrence (loss, damage, injury, liability.....) caused by external or internal vulnerabilities, and which may be neutralized through pre-meditated action
- **CONTROL:** Action or strategy to mitigate the risk – reduce or eliminate
- **IMPACT:** The adverse affect on the business if the risk materialised
- **LIKELIHOOD:** The probability of the identified risk/concern actually materialising
  
- **Key Risk Assessment objectives:**
  - Dynamic, not periodic, segmentation
  - Assess the current capability and performance of critical & strategic suppliers
  - Identify risks within the supply base and establish a risk mitigation plan
  - Establish and implement a sustainable Supplier Management process to ensure continuous performance improvement of suppliers



- Identify supplier(s)
- Define scope
- Risk assessment tool populated
- Supplier Notification
- Schedule
- Risk Assessment Team
- Conduct Risk Assessment
- Identification of high and medium level risks
- Recommended mitigation actions
- Stakeholder & Supplier communication & approval
- Implement risk mitigation plans
- Implement KPIs, Performance Scorecards
- Supplier Business Reviews
- Periodic refresh of risk assessment

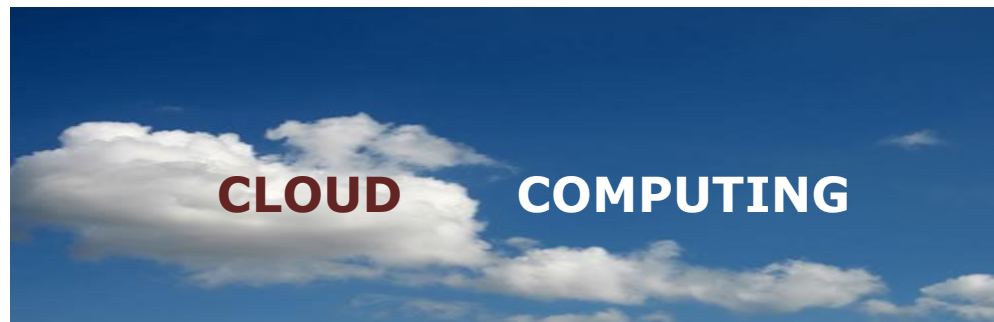
- D&B, Bloomberg, Thomson Reuters
- Suppliers/ partners
- National registration offices
- Auditor reports
- Accounts/ public
- Results/announcements
- Market commentary
- Sales staff
- Competitors
- Suppliers to & partners of your suppliers
- Site visits





| <b>Area</b>   | <b>Average</b> | <b>World class</b> |
|---|----------------|--------------------|
| Annual procurement ROI                                      | 281%           | 694%               |
| Technology cost per Procurement FTE                         | \$12,476       | \$24,507           |
| Cost per FTE (transactional)                                | \$ 55,060      | \$ 51,001          |
| Cost per FTE (strategic)                                    | \$ 81,574      | \$106,366          |
| High involvement in enterprise level budgeting and planning | 31%            | 55%                |

**The gap between average and world-class performers continues to widen—budgets, talent and the willingness to embrace technology makes the difference**



“Cloud computing is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction”. \*

The three services models are:

1. **Software** as a Service
2. **Platform** as a Service
3. **Infrastructure** as a Service

A particular area of the supply chain in which the public cloud is believed to have much potential, particularly in a globalised world, is that of boosting visibility in those processes where collaboration with and between third-parties such as suppliers and partners is key. – *Computer Weekly/ AMR Research*

**IIA Sept 2009 Cloud Computing survey: 65% of respondents believe Ireland is lagging but 85% of cloud computing projects are successful**

**US government [Apps.gov](#):** \$75 billion IT spend/ initiative to lower the cost of government operations while driving innovation within government

[Apps.gov](#) "browse and purchase cloud-based IT. Cloud computing is the next generation of IT. By adopting the use of cloud computing, Federal agencies will be able to get the capabilities they need to fulfil their missions at lower cost, faster, and ultimately, in a more sustainable manner."

**"Federal agencies are confused about the cloud,"** according to "The 2009 Cloud Consensus Report,"

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**UK gov't sponsored, Digital Britain:** "All those Government bodies likely to procure ICT services should look to do so on a scalable, cloud basis such that other public bodies can benefit from the new capability,".



***Leverage the scale and flexibility of the internet***



SURVIVAL?



SEE THE STARS

OR ADVANTAGE?

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