

Services and Indirect Spend: The Development of Supplier Performance Metrics and Scorecards

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The Objectives

- ▶ To quantify the sometimes subjective elements that determine the content, service and value of a services supplier
- ▶ To document those elements in such a way as to present them constructively to the supplier and measure progress and improvement over time

Indirect Spend

- ▶ Indirect spend: 50%*
- ▶ High impact
- ▶ Last to be tapped
- ▶ Most challenging to measure
 - Less concrete
 - More subjective
 - Intimidating to quantify
 - Diversified categories & spend

*CAPS Critical Issues Report, Sep 2003

Fortune 500-size companies

Indirect Spend Sources

▶ Background

- Internal Services; Consulting; Fleet; Marketing & Advertising; MRO; Transportation; IT; Print; Reprographics; Facilities; Financial; Legal

▶ Today's Examples

- Travel Services
- Contingent Labor

The Audience

- ▶ Goals and Objectives
 - Quantifiable and measurable
- ▶ Supplier Feedback
 - Agreement or program description
- ▶ Management Reporting
 - Department/Business Unit/Senior Management

The Audience

- ▶ Client Feedback
 - Procurement scorecard
- ▶ Program Development
 - Continuous improvement
- ▶ Benchmark
 - What is aspired to
- ▶ Bid Preparation/Evaluation
 - Prepare for the next time around

Supplier Feedback

► What the Supplier Promised

- Core competency
- Master agreement
- SOW elements
- Change in business
- Reporting
- Invoicing

Management Reporting

► What You Promised

- Cost savings
- Client satisfaction
- Reduction in transaction time
- Technology improvements
- Communication

Client Feedback

- ▶ What They Perceive You Promised
 - Less money
 - Less time
 - Less process
 - Less paperwork
 - More service
 - More success

Steps to Performance Strategy

- ▶ Capture the Scope
 - Baseline – Know where you began
 - Process Flow – Know what changes
- ▶ Establish criteria at RFP
- ▶ Track What's Important
 - Prioritize
 - Don't Lose Focus

Steps to Performance Strategy

▶ **SCALABLE PROGRAMS**

- ▶ Break it Down
- ▶ Include the Supplier
 - Ensure a vested interest
 - Leverage their knowledge
 - Put them to work

Steps to Performance Strategy

- ▶ Include Clients
 - Input = Buy-in
- ▶ Weight the Elements
 - Prioritize
- ▶ Test the Data
- ▶ Audit – More Than Once

Travel Services

▶ Cost & Service Elements

- Core – essential to trip
- Ancillary – essential to program

▶ Set-up Costs

- Technology, location, training, profiles, equipment

▶ Transaction Costs

- Air, hotel, rental car, transportation, parking, technology

Travel Services

▶ Soft Costs

- Tickets, upgrades, memberships, room nights, publications/subscriptions

▶ Service Elements

- Ease of use, after hours/emergency, VIP, international, visa/passport, refunds/exchanges, new employees

Travel Services

▶ Program Elements

- Reporting, M/WBE, improvements, upgrades, invoicing, account reconciliation, audits

▶ Scoring Methods

- Reports
- Surveys
- Focus groups
- Industry benchmarks

Contingent Labor*

▶ Contingent Demographics

- 11% of workforce is contingent
- 34% is projected growth rate
- 69% plan to change their process by '06

▶ Award Criteria

- 79% Worker Quality
- 55% Low Cost
- 40% Relationship Focus
- 32% Ease of use

Contingent Labor

▶ Worker Quality

■ Qualified Candidates

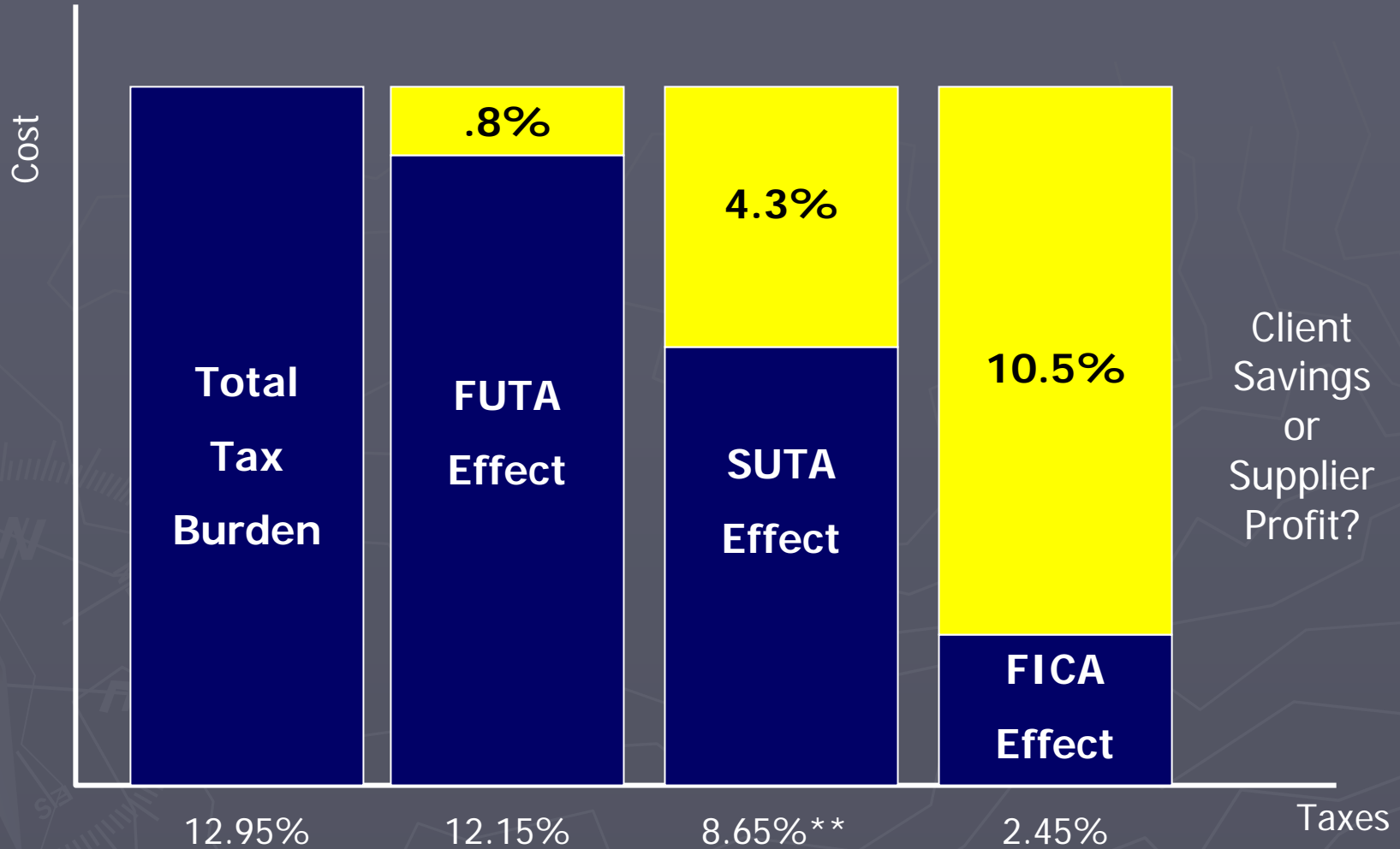
- ▶ Quality
- ▶ Time to fill
- ▶ Number
- ▶ Screening
- ▶ Recruiting strategies
- ▶ Validation/verification
- ▶ References
- ▶ Direct to sub-contractors

Contingent Labor

► Cost Savings

- Labor rate
- Bill rate
- Travel rate
- Tax & insurance
- Overtime
- Travel reimbursement
- Payment terms

Taxes & Insurance*



*ZeroChaos

** Based upon State of CT

Contingent Labor

► Relationship/Partnership

- Understands business
- Fits culture
- Technology innovations
- Market trends/changes
- Geographic coverage
- Continuous improvement
- Industry Benchmarks

Contingent Labor

► Ease of Use

- Request process
- Interview coordination
- On/Off-boarding
- Reporting
- Invoicing
- Payment
- Audits

Questions/Comments

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