STRATEGIC CATEGORY MANAGEMENT

HELPING LEADING ENTERPRISES WORLDWIDE ACHIEVE EXTRAORDINARY RESULTS
Presenter Bios

Bruno has 9 years of procurement / Mgt consulting experience and 5 years of industry experience delivering global complex projects. His functional expertise includes opportunity assessments, strategic category management, market intelligence, analytics, value chain mapping, design for sourcing / Mfg, SRM, Contract Mgt, organizational design. His category expertise includes Prof. Services (Consulting, Legal), Chemicals, Logistics, Facilities, Packaging.

Prior to GEP, he worked 5 years at A.T. Kearney in London and Dubai, where he led projects across various industries in W. Europe / N. America / Nigeria / Saudi Arabia / UAE, including strategy, due diligence, implementation, supply chain post-merger integration, logistics optimization and network rationalization. He also supported Business Development efforts and talent growth, working with partner schools.

Prior to A.T. Kearney, he was Project Leader at Schlumberger in Houston, TX, with a focus on new product development, product customization and rationalization. He also led Lean Six Sigma projects following Black Belt training that streamlined processes, generated cost savings and implemented best practices globally.

He has 3 degrees: LBS MBA ’08, Georgia Tech MS Mech. Eng ’01, Arts et Métiers ParisTech MS ’00. He holds 4 US patents and speaks French / Spanish (bilingual), German / Italian (professional).

Joel is a delivery leader at GEP with over 7 years of experience. He is responsible for managing global teams and helping GEP’s clients generate value through strategic category management, enhance processes, and drive organization change. His industry experience spans CPG, Consumer Durable, Chemical and Pharmaceutical; with a consistent focus on MRO, Capital, Energy and other manufacturing-related categories.

During his time with GEP, Joel has overseen multiple initiatives to build procurement capabilities and improve the total cost position of Fortune 500 companies. He brings delivery experience from the North American, Latin American, and European regions. Joel’s areas of expertise are global team development, process optimization, make vs. buy analysis, procurement transformation, and innovative sourcing practices.

Joel is a graduate of Georgetown University’s McDonough School of business where he specialized in International Business and Operations Management. He speaks Spanish / German professionally.
About GEP: A leading provider of end-to-end procurement services and technology

Reducing costs and driving savings to the bottom line gets us excited.
GEP PEOPLE are distinguished by their drive to do better, go further and achieve more for clients

★ A global leader in procurement services and software (Gartner, Everest, HfS, NelsonHall, Kennedy Vanguard, Forrester, Hackett, Spend Matters, Ardent Partners)

★ Focused exclusively on sourcing, procurement & supply chain

★ $74B+ in spend managed annually

★ Comprehensive, end-to-end Procurement Solutions - Consulting, Outsourcing, Software

★ Innovative source-to-pay platform - Native to Cloud, touch, mobile | SOC 1, SOC 2 (Type 1&2) certified

★ Large repository of best practice workflows, tools and templates

★ More than 200 Fortune 500 & Global 2000 Customers | NMSDC certified minority & woman owned enterprise

★ Offices and operation centres in Europe, Asia & Americas, supporting multiple languages

Europe-Specific Capabilities

- ~250+ skilled procurement focused resources, with expertise across 80 categories
- Multilingual support for 19+ European languages

Whom We Serve

- CPG, Food & Beverage
- Manufacturing
- Pharmaceuticals, Healthcare & Life Sciences
- Energy & Utilities
- Financial & Insurance
- Government, Education & Non-Profit
- Retail
- Chemicals, Oil & Gas
- Business & Professional Services
- Hi-Tech
- Transport & Hospitality

Logos of various companies are shown, representing the industries they serve.
2. Why Strategic Category Management?
Five macro trends to watch out for in 2017

<table>
<thead>
<tr>
<th>Trends</th>
<th>Implications on Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Global Trade, Populism, and Economic Growth</td>
<td>Focus on Cost and Efficiencies</td>
</tr>
<tr>
<td>2 Geopolitical Instability</td>
<td>Proactive Mitigation of Supply Chain Risks</td>
</tr>
<tr>
<td>3 Lower Commodity Prices</td>
<td>Drive Overall Value from Lower Commodity Prices</td>
</tr>
<tr>
<td>4 Climate Change Uncertainty</td>
<td>Drive Broader Sustainability Programs and Goals</td>
</tr>
<tr>
<td>5 Expansion of Digital Technologies</td>
<td>Can’t Ignore New Technologies</td>
</tr>
</tbody>
</table>

Source: GEP Procurement Outlook Report 2017
World class procurement organizations have done their part in driving savings but there are diminishing returns to traditional approaches.

Total Spend Cost Savings
Total cost savings (reduction and avoidance) as a percent of annual spend

Source: The Hackett Group Procurement Benchmark, 2015
Investment in Strategic Category Management is a key enabler to elevating Procurement’s role within an organization.

**Procurement Priorities**

1. **Reduce and avoid purchase costs**
   - Critical: 26%
   - Major: 58%
   - Total: 85%

2. **Elevate the role of procurement to a trusted advisor**
   - Critical: 26%
   - Major: 55%
   - Total: 81%

3. **Increase spend influence**
   - Critical: 17%
   - Major: 59%
   - Total: 76%

4. **Improve agility**
   - Critical: 23%
   - Major: 51%
   - Total: 74%

5. **Increase stakeholder satisfaction**
   - Critical: 18%
   - Major: 52%
   - Total: 70%

6. **Reduce supply continuity risk**
   - Critical: 20%
   - Major: 49%
   - Total: 68%

7. **Deepen influence on complex indirect spend categories**
   - Critical: 16%
   - Major: 49%
   - Total: 65%

8. **Strengthen / protect the company’s brand**
   - Critical: 17%
   - Major: 46%
   - Total: 63%

9. **Tap supplier innovation**
   - Critical: 16%
   - Major: 39%
   - Total: 55%

10. **Reduce regulatory non-compliance risk**
    - Critical: 23%
    - Major: 29%
    - Total: 51%

**Procurement Areas of Investment**

1. **Category management**
   - Critical: 22%
   - Major: 63%
   - Total: 85%

2. **Strategic sourcing**
   - Critical: 22%
   - Major: 60%
   - Total: 83%

3. **Talent management**
   - Critical: 22%
   - Major: 54%
   - Total: 76%

4. **Supplier relationship management**
   - Critical: 21%
   - Major: 54%
   - Total: 74%

5. **Data analysis and reporting**
   - Critical: 15%
   - Major: 52%
   - Total: 67%

6. **Supply market intelligence**
   - Critical: 12%
   - Major: 39%
   - Total: 51%

7. **Procurement software**
   - Critical: 22%
   - Major: 29%
   - Total: 51%

8. **Procurement COEs**
   - Critical: 12%
   - Major: 33%
   - Total: 45%

9. **GBS / Shared Services**
   - Critical: 9%
   - Major: 28%
   - Total: 37%

10. **Continuous improvement (e.g., Lean, Six Sigma)**
    - Critical: 5%
    - Major: 30%
    - Total: 35%

**Source:** Key Issues Study, The Hackett Group, 2016
Leading procurement organisations are now positioning themselves as a trusted advisor focused on driving business value.

**Value Proposition**

- Increase business value derived from spend
- Reduce demand activity, complexity and variability
- Shift from lowest price to TCO
- Right goods/services at the right price
- Right goods/services at the right time and place

**Role of Procurement**

- Trusted business advisor and change agent
- Spend / Budget Consultant and Relationship Manager
- Supply Expert / Team Leader / Project Manager
- Negotiator
- Buyer / Planner

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"Value Beyond Savings"

**Source:** ‘Five Characteristics of World-Class Procurement Organizations’, Hackett Research 2014
3. Strategic Category Management Overview
What is Strategic Category Management?

• An approach for procurement to align with strategic business objectives

• An ongoing process that marries organizational strategies with supply market dynamics

• A framework to support execution focused on value, not executional work

• Composed of smaller segments or categories, each of which is then strategically managed end-to-end

Question: where does strategic category management start and where does it end?
Strategic category management is the first step to value delivery within the end to end procurement value chain.
Category management is broader than a traditional strategic sourcing approach and drives greater value

<table>
<thead>
<tr>
<th>STRATEGIC SOURCING</th>
<th>STRATEGIC CATEGORY MANAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL</strong></td>
<td>Reduce purchased costs via competitive bidding and negotiation.</td>
</tr>
<tr>
<td><strong>FREQUENCY</strong></td>
<td>Periodic and project-based.</td>
</tr>
<tr>
<td><strong>APPROACH</strong></td>
<td>Conducted via an n-step sourcing methodology culminating in transition to a new supplier contract.</td>
</tr>
<tr>
<td><strong>RESULTS</strong></td>
<td>Reduced contract pricing translating to actual realized savings.</td>
</tr>
</tbody>
</table>

Overall impact is greater buy-in from business stakeholders given focus on total value.
Live Poll: How strategic is your strategic sourcing process?

1. **Truly strategic:** we create business advantage through category management, innovation support, and beyond

2. **Well implemented for many categories, but not pushing boundaries** in demand management, complex categories, globalization and extended supply chain

3. **Pockets of excellence, but no standardized process.** Multiple approaches and templates/tools

4. **Tactical at best:** e.g. reactive late-stage negotiations

5. **We don’t have a strategic sourcing process**

While the majority (60%) of Procurement organizations have adopted at least a Strategic Sourcing process, few have adopted the more strategic aspects of Category Management.
4. Implementation Approach
A structured framework for implementing a category strategy

I - Segmentation
- How to gain internal alignment?
- How should categories be prioritized?
- How to scope the effort?

II - Category Planning
- What should it cover?
- How to align value levers with business requirements?
- How to ensure value levers are also aligned with category profile and external conditions?
- How to prioritize?
- What are the practical steps?

III - Partnering & Governance
- How should category teams be organized to manage categories across the business?
- How do categories align with the function’s operating model?
- How to develop competent teams?

IV - Ongoing Management
- How should savings be planned and tracked?
- What link should be provided with SRM?

Questions we will answer today
I - Segmentation
II - Category Planning
III - Partnering & Governance
IV - Ongoing Management
Segmentation

- Clearly define and build organization-wide alignment on Category definitions
  - Leverage spend analysis
  - Use a category tree
- Identify most critical categories for Category Management focus

Category Management Alignment Across the Organization

- Define stakeholder participation in Category Management based on importance to group, relative stake and readiness to engage
- Confirm scope (e.g. category level and geographical)
Innovation Workshops: Identifying and Validating Value Levers

**Key Inputs**
- Strategic Goals
- Procurement, Bottom lines & Targets
- Supplier Performance and History
- Industry Benchmarks and Best-in-Class
- Current Cost Model and Constraints
- Success stories and new ideas

**Innovation Workshop**
- WISE Workshop
- GEP Team
  - Program Managers
  - Category Managers
  - SME’s
  - Analysts
- Client Team
  - Global Procurement
  - Key Business Units
  - Marketing
  - Sales
  - Leadership Team
- Supplier Team
  - Account Liaison
  - Sales
  - Product Specialists

**Value Engineering**
- Operational Innovation
- Value Engineering

**Key Outcomes**
- Innovative TCO reduction ideas
- Proposed Implementation Plan
- Projected Implementation Timelines
- Potential Risks and Mitigation Plan
- Pilots and Testing
- Financial Impacts

**Strategic Goals**
- Benchmark and Best-in-Class
- Current Cost Model and Constraints
- Success stories and new ideas

**Procurement Team**
- Global Procurement
- Key Business Units
- Marketing
- Sales
- Leadership Team

**Supplier Team**
- Account Liaison
- Sales
- Product Specialists

**Supply Chain Innovation**
- WISE Workshop
- GEP Team
  - Program Managers
  - Category Managers
  - SME’s
  - Analysts
- Client Team
  - Global Procurement
  - Key Business Units
  - Marketing
  - Sales
  - Leadership Team
- Supplier Team
  - Account Liaison
  - Sales
  - Product Specialists

**I - Segmentation**
- Pilots and Testing

**II - Category Planning**
- Financial Impacts

**III - Partnering & Governance**
- Key Outcomes

**IV - Ongoing Management**
- Key Outcomes
• Best Practice Procurement organizations challenge each Category team to proactively seek opportunities to apply all relevant value levers to their categories

• This requires:
  • Strong understanding of the Category environment (market and internal)
  • Knowledge of Category-specific Value Lever applicability within the Category
  • Skills and knowledge in organization to execute Category Strategies using these Value Levers

Questions:

1. How to align value levers with business requirements?
2. How to ensure value levers are also aligned with category profile and external conditions?
3. How does this work practically?
Aligning value levers with business requirements

- Beyond the reduction of external costs that Procurement organizations typically pursue in each Category, a broad array of Business objectives are likely to exist.
- These objectives typically fall into categories of Total Cost of Ownership (TCO) Reduction/Manage Risk, Revenue Growth, and Other Goals.
- The below framework summarizes how many Best Practice Procurement groups organize these goals:

### Category value objectives link to stakeholder objectives

**Reduce TCO**
- Reduce purchased costs
- Reduce logistics costs
- Reduce internal processes costs
- Reduce other costs
- Reduce working capital
- Improve delivery performance
- Reduce fixed costs

**Increase Revenue**
- Improve marketing effectiveness
- Enhance new product development
- Enter new markets
- Enable new business capabilities
  - Margin Stability

**Support Other Goals**
- Assurance of Supply Risk
- Support sustainability goals
- Strengthen the Brand and Brand Protection
- Regulatory Compliance Risk
- Health & Safety
- IP Protection
- Improve quality
Survey Question: What is the main business priority for the primary category / function which you are involved in supporting?

1. Reduce TCO
2. Increase Revenue
3. Other Goal
4. Not Sure
Aligning value levers with category and external conditions

GEP Category Innovation Cube

**Buyer Power**
- Share of total spend in industry
- Share of total spend in supplier revenues

**Supply Power**
- Number of supplier alternatives
- Product specifications alternatives
- Entry / Exit barriers
- Government regulations

**Category Complexity**
- Specification specialization in client organization
- Patent / copyright
- Criticality to operations
- Number of functions / entities involved in usage of product / service

I - Segmentation
II - Category Planning
III - Partnering & Governance
IV - Ongoing Management
### GEP Category Innovation Cube

**A** Supply power, Buyer power, category complexity = Low
- Example: Print
  - (1) Demand Management
  - (2) Compliance Management
  - (3) Bundling across product / service types
  - (4) Standardization

**B** Supply power = High; Buyer power, category complexity = Low
- Example: Utilities, Travel
  - (1) Usage Innovation
  - (2) Specification Changes
  - (3) Risk management
  - (4) Technical Benchmark

**C** Supply power = High, Buyer power = High, category complexity = Low
- Example: Secondary Packaging
  - (1) Value Engineering
  - (2) Incentive partnership
  - (3) Integrated operations
  - (4) Joint process improvement

**D** Supply power = Low, Buyer power = High, category complexity = Low
- Example: IT hardware (Non-technical)
  - (1) Competitive bidding
  - (2) Bottom-up pricing
  - (3) Component value analysis
  - (4) ‘Should-cost’ pricing

**A1** Supply power = Low, Buyer power = Low, category complexity = High
- Example: MRO
  - (1) Purchasing process improvement
  - (2) Collaborative sourcing
  - (3) Non-price parameter review
  - (4) Service levels management

**B1** Supply power = High; Buyer power = Low, category complexity = High
- Example: Electronic instruments
  - (1) Complexity management
  - (2) Make vs Buy
  - (3) Supply chain restructuring
  - (4) Commodity management

**C1** Supply power = High, Buyer power = High, category complexity = High
- Example: Chemicals
  - (1) Low cost country sourcing
  - (2) Operations process rationalization
  - (3) Opportunistic sourcing
  - (4) Profit sharing / JVs

**D1** Supply power = Low, Buyer power = High, category complexity = High
- Example: Civil & Construction Works
  - (1) Clean sheeting
  - (2) Supplier performance management
  - (3) Cost driver analysis (Cost / goal instead of hourly rate)

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I - Segmentation
II - Category Planning
III - Partnering & Governance
IV - Ongoing Management
## Framework to calculate “Ease of Sourcing”

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Parameters</th>
<th>Scale</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data &amp; Specification Perspective</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of Data</td>
<td>1-Hard to access 10-Easily available</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Accuracy / Quality of Data</td>
<td>1-Inaccurate Data 10-Very accurate Data</td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td>Availability / Accuracy / Completeness of Specifications</td>
<td>1-Inaccurate Specification 10-Very accurate Specification</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Level of Customisation in Design</td>
<td>1- Highly customised product 10- Standard Product / No customisation</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td><strong>Supplier Perspective</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of Qualified Suppliers</td>
<td>1- Few qualified Suppliers 10- Many qualified Suppliers</td>
<td></td>
<td>4%</td>
</tr>
<tr>
<td>Time to Qualify Suppliers</td>
<td>1- Time consuming process 10- Can be done quickly</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Number of Incumbent Suppliers</td>
<td>1- Few incumbents 10- Many incumbents</td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td>Supplier Capability to Implement</td>
<td>1- Supplier is weak in implementing 10- Supplier can easily implement</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Supplier Switching Risk</td>
<td>1- High Risk/Cost involved in switching the incumbent 10- Nil risk/cost in switching</td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td><strong>Organisation Perspective</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client Reputation in the Market</td>
<td>1- Relatively unknown client brand 10- Client has a strong brand reputation</td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td>Number of Sites</td>
<td>1- More number of sites 10- Less sites</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Organizational Sensitivity</td>
<td>1- High organizational sensitivity 10- Less sensitive organization</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Contractual Complexity</td>
<td>1- Highly technical/ complicated Contract 10- Simple contract</td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td><strong>Geographical Barsers</strong></td>
<td>1- Heavy geographical barriers 10- Less geographical barriers</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td><strong>Tool Perspective</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auction Complexity</td>
<td>1- High complexity 10- Low complexity</td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td>Tooling Issues</td>
<td>1- No/ Fewer tools can be used 10- Maximum tools can be used</td>
<td></td>
<td>5%</td>
</tr>
</tbody>
</table>

### Total

**100%**

## Framework to calculate “Saving Potential”

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Scale</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time since last sourced</strong></td>
<td>1-10</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Degree of Commoditization</strong></td>
<td>1-10</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Competition in the Market</strong></td>
<td>1-10</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Level of Standardization of SKU</strong></td>
<td>1-10</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Supply - Demand Balance in the Market</strong></td>
<td>1-10</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Spend</strong></td>
<td>1-10</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Work done to date</strong></td>
<td>1-10</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Market Fragmentation</strong></td>
<td>1-10</td>
<td>25%</td>
</tr>
</tbody>
</table>

### Total

**100%**

## Category Rating Chart

<table>
<thead>
<tr>
<th>Category</th>
<th>Ease of sourcing</th>
<th>Savings Potential</th>
<th>Spend (€ M)</th>
<th>% Savings</th>
<th>Savings (€ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducers</td>
<td>7</td>
<td>7</td>
<td>€ 108</td>
<td>5%</td>
<td>€ 2.7</td>
</tr>
<tr>
<td>Couplings</td>
<td>8</td>
<td>6</td>
<td>€ 100</td>
<td>11%</td>
<td>€ 11.0</td>
</tr>
<tr>
<td>Bearings</td>
<td>4</td>
<td>4</td>
<td>€ 58</td>
<td>7%</td>
<td>€ 4.1</td>
</tr>
<tr>
<td>Gearboxes</td>
<td>6</td>
<td>5</td>
<td>€ 37</td>
<td>11%</td>
<td>€ 4.07</td>
</tr>
</tbody>
</table>

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The role of procurement is evolving quickly, creating new talent and skill requirements

**Strategic Procurement**
- Strategic advisor
- Supply network optimizer
- Financial steward
- Compliance manager
- Change leader
- Category expert
- Value beyond savings

**Core Competencies**
- Business acumen & analytics
- Systems thinking
- Structured problem solving
- Influencing skills
- Organizational change
- Initiative/drive

**I - Segmentation**

**II - Category Planning**

**III - Partnering & Governance**

**IV - Ongoing Management**
Category governance - Working with others

Governance Framework Roles & Responsibilities

**Steer:**
- Set objectives & targets
- Facilitate availability of resources
- Review and challenge Team’s progress
- Prioritize opportunities

**Business Executive**
- Ensure business is taking ownership in delivering value and meeting targets
- Work to the Category Plan
- Facilitate resource allocation
- Build expertise and best practice

**Category Director**
- Drive methodology
- Build and manage the Category Plan
- Work with the business to prioritize and deliver benefits

**Category Manager**
- Set expectations for category teams
- Develop standards and drive methodology
- Assure the quality of deliverables

**Project Team**
- Provide stakeholder representation
- Validate the sourcing strategy
- Develop, implement and deliver the sourcing strategy and associated benefits
- Keep the Category Team advised of status
- Advise and confirm the delivered benefits

**Category Advisory Grp (CAG)**
- Provide specialist support and advice to Category Teams

**Finance Member**
- Ensures effective measurement and validation of $ savings delivered

**Sourcing Project Teams:**
- Provide stakeholder representation
- Validate the sourcing strategy
- Develop, implement and deliver the sourcing strategy and associated benefits
- Keep the Category Team advised of status
- Advise and confirm the delivered benefits
### Survey Question: In your experience how often do Procurement professionals or stakeholders consult a category plan once it’s been signed off?

<table>
<thead>
<tr>
<th></th>
<th>Very often (at least once a month)</th>
<th>Sometimes</th>
<th>Rarely but I really wish they would</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Often (at least once a quarter)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>We do not use category plans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Question

What are the success factors for strategic category management?

A few ideas:

• True category plans, well executed
• Be data and insights rich - good quality spend analysis, category insights and graphics
• Clear interactions and responsibilities between business / procurement / supply chain
• Help Category Managers focus on value, not operational work
• Apply the same thinking to the tail of spend in the category
5. Case Study
Project Success Story:
Value proposition through leveraging supplier’s emerging technologies

**CLIENT SITUATION**

- Global $19 bn. Life Sciences firm
- Lab supply stock rooms with limited hours, manual processing
- Frequent stock-outs and lock-outs
- Frustrated client stakeholders (R&D teams)

**OUR APPROACH**

- Segmented data and identified potential value levers
- Engaged strategic supplier in innovation workshops (WISE)
- Conducted an external market evaluation to understand technology trend analysis (RFID) and collaborate with incumbents to understand the feasibility
- Introduced leading SRM practices (VMI)
- TCO Analysis: Process efficiencies outweigh up-front investments 2:1

**KEY OBJECTIVES**

- Align the R&D supplies category strategy with long-term business objectives
- Ensure business continuity for the R&D business
- Simplified buying process that integrates seamlessly with the legacy systems
- Enrich user experience and maintain effective TCO

**BREAK-THROUGH RESULTS**

- RFID-enabled lab supply solutions installed
- Far fewer stock-outs, no waiting time: R&D fully productive
- Vendor managed inventory reduced working capital budgets
- Automatic re-order points reduced PO processing costs
- Headcount reductions: Fewer stock room personnel
- Ongoing partnership and governance forums with key R&D stakeholders

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Project Success Story: Value levers deployed

- Increase core/preferred supplier spend
- Reduce tail end suppliers by 200
- Leverage growth rebates
- Leverage Supplier Meet - Beat clause

- 3-way agreements
- Leverage rebates tied to core spend growth

- Target increase by $0.5M-$1.0M
- Implement VAR Program with diverse suppliers

- Maximize utilization of Low Cost alternatives
- Improve visibility of available inventory across lab for optimum inventory utilization
- Desktop delivery to discourage hoarding

- Reduce disposal cost
- Demand Management: Improve visibility of available inventory across lab
- Extend Tote and Pallet Program to all Major US Sites
- Recycling programs (safety supplies)

- Increase Private Label Spend
- Increase incumbent Core Spend

- Tail Spend Management
- Supply Base Management
- Increase SB / Diversity Spend

- Productivity & Innovation
- Total Cost Management
- Sustainability
- Demand Management

- Leverage Supplier Innovation
- Under evaluation:
  - Robotic Pipets w. Rainin
  - Product Tracking

- Improved Stock Room Operations
- RFID
- Smart Rooms
- Stock room of the future
- Smart Boards

- Improved Catalog Experience
- Punch Out Catalog roll out
- Additional Functionalities - Back Order Alt.
QUESTIONS & ANSWERS

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